



Montana Legislative History

Checklist of Bill History

Chapter: 2 Session L: 2007 SS
Bill Number: HB 3

History and Final Status Sheet	x
Introduced Bill	X
Fiscal Note	X
Third Reading Bill	X
Final Version of Bill	X

House

Committee:
Taxation

Hearing Date(s):
[May 10, 2007](#)
(no summary
minutes available)

Conference Committee

Hearing Date(s): n/a

Conference Committee Report:

Senate

Committee: Taxation

Hearing Date(s):
[May 14, 2007](#) (no summary minutes
available)

Compiler Notes

Compiled by: sg

Date: 10/10/24

Notes:

Summary

Sponsoredby: [Jones, Llew](#)
(R) HD 27

Progress		
Status	Date	Passed
Introduced	05/10/07	✓
Passed (H) Committee	05/11/07	✓
Passed House	05/12/07	✓
Passed (S) Committee	05/14/07	✓
Passed Senate	05/15/07	✓
To Governor	05/15/07	✓

Draft #	LC0006
Amendment(s)	Yes
Chapter #	2
Current Status	Chapter Number Assigned
Co-Sponsor(s)	None
Drafter	Heiman, Lee
Requester	Jones, Llew
Fiscal Note	Yes

Preintroduction Required	No
Category	Revenue Bills
Subject(s)	Revenue, State, Taxation--Individual Income, Taxation--Property, Energy,
Transmittal Date	09/09/99
Return Date	09/09/99

Sections Affected	Effective Date	Qualifier
All Sections	05/25/2007	

Bill Explorer - HB 3: Tax incentives for energy development

Status

Date	Action	Committee	Yes Votes	No Votes
05/25/07	Chapter Number Assigned			
05/25/07	(H) Signed by Governor			
05/15/07	(H) Transmitted to Governor			
05/15/07	(S) Signed by President			
05/15/07	(H) Signed by Speaker			
05/15/07	(H) Returned from Enrolling			
05/15/07	(H) Sent to Enrolling			
05/15/07	(H) 3rd Reading Passed as Amended by Senate		67	27
05/15/07	(H) 2nd Reading Senate Amendments Concurred		67	32
05/15/07	(S) Returned to House with Amendments			
05/15/07	(S) 3rd Reading Concurred		33	17
05/15/07	(S) Scheduled for 3rd Reading			
05/15/07	(S) Motion Carried			
05/15/07	(S) 2nd Reading Concurred		32	16
05/15/07	(H) Scheduled for 2nd Reading			
05/14/07	(S) 2nd Reading Motion to Amend Failed		20	28

Date	Action	Committee	Yes Votes	No Votes
05/14/07	(S) 2nd Reading Motion to Amend Failed		22	26
05/14/07	(S) 2nd Reading Motion to Amend Failed		19	28
05/14/07	(S) Committee Report--Bill Concurred as Amended	(S) Taxation		
05/14/07	(S) Committee Executive Action--Bill Concurred as Amended	(S) Taxation	7	4
05/14/07	(S) Referred to Committee	(S) Taxation		
05/14/07	(S) First Reading			
05/14/07	(S) Scheduled for 2nd Reading			
05/12/07	(H) Revised Fiscal Note Printed			
05/12/07	(H) Revised Fiscal Note Received			
05/12/07	(H) Transmitted to Senate			
05/12/07	(H) 3rd Reading Passed		80	17
05/12/07	(H) 2nd Reading Passed as Amended		83	17
05/12/07	(H) 2nd Reading Motion to Amend Failed		37	63
05/12/07	(H) 2nd Reading Motion to Amend Carried		53	47
05/12/07	(H) 2nd Reading Motion to Amend Carried		76	21
05/12/07	(H) Scheduled for 2nd Reading			
05/11/07	(H) Committee Report--Bill Passed as Amended	(H) Taxation		
05/11/07	(C) Printed - New Version Available			

Date	Action	Committee	Yes Votes	No Votes
05/11/07	(H) Committee Executive Action--Bill Passed as Amended	(H) Taxation	18	0
05/10/07	(H) Revised Fiscal Note Printed			
05/10/07	(H) Revised Fiscal Note Received			
05/10/07	(H) Hearing	(H) Taxation		
05/10/07	(H) Fiscal Note Printed			
05/10/07	(H) Fiscal Note Received			
05/10/07	(H) First Reading			
05/10/07	(H) Fiscal Note Requested			
05/09/07	(H) Referred to Committee	(H) Taxation		
05/09/07	(C) Introduced Bill Text Available Electronically			
05/09/07	(H) Introduced			
05/09/07	(C) Pre-Introduction Letter Sent			
05/09/07	(C) Draft in Assembly/Executive Director Review			
05/09/07	(C) Draft in Final Drafter Review			
05/09/07	(C) Bill Draft Text Available Electronically			
05/09/07	(C) Draft in Input/Proofing			
05/09/07	(C) Draft to Drafter - Edit Review [JLN]			
05/09/07	(C) Draft in Edit			
05/09/07	(C) Draft in Legal Review			
05/09/07	(C) Draft to Requester for Review			

Date	Action	Committee	Yes Votes	No Votes
05/07/07	(C) Fiscal Note Probable			
05/07/07	(C) Draft Request Received			

Showing 1 to 56 of 56 entries

Fiscal

Date	Status
05/12/07	(H) Revised Fiscal Note Printed
05/12/07	(H) Revised Fiscal Note Received
05/10/07	(H) Fiscal Note Printed
05/10/07	(H) Fiscal Note Received
05/10/07	(H) Fiscal Note Requested
05/07/07	(C) Fiscal Note Probable

Fiscal Documents
HB0003.pdf

Fiscal Rebuttals
No matching results found

Amendments

Amendment	Condensed Version
No Amendments found	

Documents And Links

Previous Versions

[HB0003_x.pdf](#)

[HB0003_4.pdf](#)

[HB0003_3.pdf](#)

[HB0003_2.pdf](#)

[HB0003_1.pdf](#)

Other

None

Section 29. Repealer. Sections 20-26-611, 20-26-612, and 20-26-613, MCA, are repealed.

Section 30. Codification instruction. (1) [Sections 1 through 6] are intended to be codified as an integral part of Title 20, chapter 4, and the provisions of Title 20, chapter 4, apply to [sections 1 through 6].

(2) [Section 8] is intended to be codified as an integral part of Title 20, chapter 9, and the provisions of Title 20, chapter 9, apply to [section 8].

(3) [Sections 23 through 25] are intended to be codified as an integral part of Title 20, chapter 26, part 6, and the provisions of Title 20, chapter 26, part 6, apply to [sections 23 through 25].

Section 31. Effective date. [This act] is effective July 1, 2007.

Section 32. Applicability. [This act] applies to school district budgets for fiscal years beginning on or after July 1, 2007.

Approved May 17, 2007

CHAPTER NO. 2

[HB 3]

AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; CREATING A NEW CLASS OF PROPERTY FOR CERTAIN DIRECT-CURRENT CONVERTER STATION PROPERTY; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

Be it enacted by the Legislature of the State of Montana:

Section 1. Short title. [This act] may be cited as the “Jobs and Energy Development Incentives Act”.

Section 2. Policy. It is the policy of the state of Montana that the tax classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be strictly limited to new investments that qualify under the standards established in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. The provisions of [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] do not apply to any previously existing properties or to any new investments or property that does not qualify under [sections 2 through 8] and amendments made by [this act in 15-6-141 and

15-6-157]. It is also the policy of the state of Montana that the classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to encourage investment in energy development that is consistent with maintaining a clean and healthful environment and that may not otherwise occur without [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. [Sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are not to be interpreted as a precedent for reducing the taxation of any other property in the state or for affecting the use of any property valuation method for tax purposes established under law to meet the standards of the Montana constitution and law. The department of environmental quality and the department of revenue are directed to administer and interpret [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] strictly in accordance with this policy. Any ambiguities in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be resolved in favor of the strict reading of this policy.

Section 3. Definitions. As used in [sections 1 through 6], unless the context requires otherwise, the following definitions apply:

- (1) "Biodiesel" has the meaning provided in 15-70-301.
- (2) "Biodiesel production facility" means improvements and personal property used for the production and onsite storage of biodiesel.
- (3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally occurring methane gas formed underground in landfills.
- (4) "Biogas production facility" means improvements and personal property used for the production of biogas and the generation of electricity at the facility.
- (5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other organic waste materials.
- (6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and screening.
- (7) "Biomass gasification facility" means improvements and personal property used for the production of fuel or chemicals and the generation of electricity from biomass at the facility.
- (8) "Carbon sequestration" means the long-term storage of carbon dioxide from a plant or facility that produces or captures carbon dioxide, as defined in [section 7], in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.
- (9) "Clean advanced coal research and development equipment" means equipment used primarily for research and development of emerging methods for pollution control, carbon capture, and carbon sequestration. The term includes equipment used for research and development of effective and efficient removal of various pollutants and the capture, storage, transportation,

compression, and injection of carbon dioxide from coal combustion utility and industrial facilities and advanced coal conversion facilities.

(10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon monoxide, hydrogen, and other gases. The coal gasification process includes the reaction of coal feedstock, prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

(11) "Coal gasification facility" means improvements and personal property used for coal gasification that is used for the production of fuel or chemicals or the generation of electricity, or any combination of those things, at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

(12) "Coal-to-liquid facility" means improvements and personal property used for the production of synthetic liquid fuels from coal. The term includes a facility that uses the Fischer-Tropsch process, or other processes, to convert synthesis gas produced by coal gasification into liquid fuel.

(13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of, but not limited to, the following:

- (a) building supports or foundations;
- (b) laying of underground pipework; or
- (c) construction of storage structures.

(14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR, parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

(15) "Ethanol production facility" means improvements and personal property used for the production and onsite storage of ethanol made from cellulose or other nonfoodstuff materials.

(16) "Geothermal facility" means improvements and personal property used for the production of electricity from geothermal sources.

(17) "Integrated gasification combined cycle facility" means improvements and personal property of an electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion turbine to generate electricity and captures the heat from the combustion to drive a steam turbine to produce more electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

(18) "Renewable energy" includes the following:

- (a) solar energy;
- (b) wind energy;
- (c) geothermal energy;
- (d) energy from the conversion of biomass;
- (e) energy from biogas;
- (f) energy from fuel cells that do not require a petroleum-based fuel;
- (g) energy from waste heat; and
- (h) cellulosic ethanol.

(19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by a facility with its principal business being the manufacturing of material, component parts, systems, or similar equipment for use in facilities that convert renewable energy into forms of energy useful to people, including electricity. The term includes facilities for manufacturing of electric motor vehicles or hybrid electric motor vehicles.

(b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing facility with at least 50%, by value, of its annual production suitable for sale as renewable energy material, component parts, systems, or similar equipment.

(20) "Renewable energy research and development equipment" means equipment used primarily for research and development of the efficient use of renewable energy sources. The term includes equipment used for research and development of electric motor vehicles or hybrid electric motor vehicles.

Section 4. Energy production or development — tax abatement — eligibility. (1) A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable energy research and development equipment may qualify for an abatement of property tax liability pursuant to [sections 2 through 6].

(2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be assessed at 50% of its taxable value for the qualifying period.

(b) If the abatement is granted for clean advanced coal research and development equipment or renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

(c) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement allowed under [sections 2 through 6]:

- (a) biodiesel production facilities;
- (b) biogas production facilities;
- (c) biomass gasification facilities;
- (d) coal gasification facilities for which carbon dioxide from the coal gasification process is sequestered;
- (e) ethanol production facilities;
- (f) geothermal facilities;
- (g) renewable energy manufacturing facilities;
- (h) clean advanced coal research and development equipment and renewable energy research and development equipment;
- (i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through carbon credit offsets;
- (j) transmission lines and associated equipment and structures classified in 15-6-157;

- (k) converter stations classified under [section 8];
- (l) carbon sequestration equipment as defined in [section 7]; and
- (m) pipelines classified under [section 7].

(4) (a) In order to qualify for the abatement under [sections 2 through 6], a facility listed in subsection (3) must meet the following requirements:

(i) commencement of construction of the facility must occur after June 1, 2007; and

(ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 2 through 6], clean advanced coal research and development equipment and renewable energy research and development equipment must be placed into service after June 30, 2007.

(c) For the facility to qualify under subsection (3)(d), the carbon dioxide produced from the gasification process must be sequestered at a rate that is practically obtainable but may not be less than 65%.

(d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is applied for after December 31, 2014, do not qualify under subsection (3)(d).

(e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage determined in [section 6].

(5) To qualify for an abatement, the facility or clean advanced coal research and development equipment and renewable energy research and development equipment must be certified as provided in [section 5].

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be assessed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first 15 years after the facility commences operation or the clean advanced coal research and development equipment or renewable energy research and development equipment is purchased. The total time of the qualifying period may not exceed 19 years.

Section 5. Certification. (1) (a) Upon application by a taxpayer, the department of environmental quality shall determine whether a facility or equipment qualifies for a tax abatement under [section 4] or rules adopted under [section 6]. If the department determines that a facility or equipment qualifies for abatement or a classification, it shall issue a certification of eligibility.

(b) An application for certification must be made on forms available from the department.

(c) Certification remains in effect only as long as substantial compliance with [sections 2 through 6] continues.

(2) The department of environmental quality shall identify and track compliance with [sections 2 through 6] in the use of certified property. The department may revoke a certification for failure to maintain substantial compliance with eligibility requirements in [section 4] or with rules adopted

pursuant to [section 6]. Revocation of a certificate must be reported to the department of revenue within 30 days of revocation.

(3) If a taxpayer's certification is revoked, the taxpayer forfeits the abatement or classification under 15-6-157 or [section 7]. Upon revocation, the property must be assessed at 100% of its taxable value beginning on January 1 of the year or years for which the certification is revoked. Any remaining abatement must be forfeited. The taxpayer is immediately liable for any additional taxes, penalty, and interest resulting from the revocation.

(4) A taxpayer that has forfeited any portion of its abatement because of revocation may not reapply for an abatement under [sections 2 through 6].

(5) A taxpayer aggrieved by a determination made by the department of environmental quality or the department of revenue has the right to the review procedures in 15-1-211 or to a hearing under Title 2, chapter 4, part 6.

Section 6. Rules. (1) The department of revenue shall adopt rules for the implementation of [sections 2 through 6], including the valuation of qualifying property and administration of property certified under [section 5] or classified under 15-6-157 or [section 7].

(2) The department of environmental quality shall adopt rules necessary for certification, compliance, and revocation of certificates, as provided in [section 5], and for classification as class fourteen property, as provided in 15-6-157, or class fifteen property, as provided in [section 7]. The rules may include specifying procedures, including timeframes for certification application, and definitions necessary to identify property for certification and compliance. The percentage of the carbon dioxide produced by a facility that is to be sequestered or offset must be based on technology that is practically obtainable as determined by the department.

Section 7. Class fifteen property — description — taxable percentage. (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality under [section 5] for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality under [section 5];

(c) carbon sequestration equipment;

(d) equipment used in closed-loop enhanced oil recovery operations; and

(e) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product carried by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or facility.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop enhanced oil recovery operation.

(b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide pipeline in geologic formations, including but not limited

to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to retain carbon dioxide in the sequestration location.

(d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for sequestration.

(e) "Closed-loop enhanced oil recovery operation" means all oil production equipment, as described in 15-6-138(1)(c), owned by an entity that owns or operates an operation that, after construction, installation, and testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon dioxide to increase the amount of crude oil that can be recovered from a well and retains as much of the injected carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic or unforeseen occurrences.

(f) "Liquid pipeline" means a pipeline that is dedicated to using 90% of its pipeline capacity for transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production facility, or ethanol production facility.

(g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation. This does not include wells from which the primary product is carbon dioxide.

(3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

(4) Class fifteen property is taxed at 3% of its market value.

Section 8. Class sixteen property — description — taxable percentage. (1) Class sixteen property includes high-voltage direct-current converter stations that are constructed in a location and manner so that the converter station can direct power to two different regional power grids.

(2) Class sixteen property does not include property described in subsection (1) for which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase.

(3) (a) The department shall determine whether to certify that the property meets the criteria of subsection (1).

(b) If the department finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

(4) Class sixteen property is taxed at 2.25% of its market value.

Section 9. Exemption for land adjacent to transmission line right-of-way easement — application — limitations. (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there

is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a digitized certificate of survey prepared by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

(i) the boundaries of an incorporated or unincorporated city or town;

(ii) a platted and filed subdivision;

(iii) tracts of land used for residential, commercial, or industrial purposes; or

(iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007.

Section 10. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property — description — taxable percentage.

(1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156 ~~and wind generation facilities;~~

(ii) *all property* classified under 15-6-157;

(iii) *all property classified under [sections 7 and 8];*

~~(ii)~~(iv) property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

~~(iii)~~(v) property owned by organizations providing telephone communications to rural areas and classified under 15-6-135;

~~(iv)~~(vi) railroad transportation property included in 15-6-145;

~~(v)~~(vii) airline transportation property included in 15-6-145; and

~~(vi)~~(viii) telecommunications property included in 15-6-156.

(2) Class nine property is taxed at 12% of market value."

Section 11. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property — description — taxable percentage. (1) Class fourteen property includes:

(a) wind generation facilities of a centrally assessed electric power company;

(b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79z-5a;

(c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;

(d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137;

(e) *all property of a biodiesel production facility, as defined in [section 3], that has commenced construction after June 1, 2007;*

(f) *all property of a biogas production facility, as defined in [section 3], that has commenced construction after June 1, 2007;*

(g) *all property of a biomass gasification facility, as defined in [section 3];*

(h) *all property of a coal gasification facility, as defined in [section 3], except for property in subsection (1)(k) of this section, that sequesters carbon dioxide;*

(i) *all property of an ethanol production facility, as defined in [section 3], that has commenced construction after June 1, 2007;*

(j) *all property of a geothermal facility, as defined in [section 3];*

(k) *all property of an integrated gasification combined cycle facility, as defined in [section 3], that sequesters carbon dioxide, as required by [section 4(4)(c)];*

(l) *all property or a portion of the property of a renewable energy manufacturing facility, as defined in [section 3], that has commenced construction after June 1, 2007;*

(m) *all property of a natural gas combined cycle facility;*

(n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion plants of the types that are generally in commercial use as of December 31, 2007, that commence construction after December 31, 2007;

(o) high-voltage direct-current transmission lines and associated equipment and structures, including converter stations and interconnections, other than property classified under [section 8], that:

(i) originate in Montana with a converter station located in Montana east of the continental divide that is constructed after July 1, 2007;

(ii) are certified under the Montana Major Facility Siting Act; and

(iii) provide access to energy markets for Montana electrical generation facilities listed in this section that commenced construction after June 1, 2007;

(p) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation that has commenced construction after June 1, 2007;

(q) the qualified portion of an alternating current transmission line and its associated equipment and structures, including interconnections, that has commenced construction after June 1, 2007.

(2) (a) The qualified portion of an alternating current transmission line in subsection (1)(q) is that percentage, as determined by the department of environmental quality, of rated transmission capacity of the line contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1) that are located in Montana.

(b) The department of revenue shall classify the total value of an alternating current transmission line in accordance with the determination made by the department of environmental quality pursuant to subsection (2)(a).

(c) The owner of property described under this subsection (2) shall disclose the location of the generation facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not required to disclose financial terms and conditions of contracts beyond that needed for classification.

~~(2)~~(3) Class fourteen property does not include ~~wind generation~~ facilities:

(a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase; or

(b) that are exempt under 15-6-225.

~~(3)~~(4) For the purposes of this section, "wind generation facilities" means any combination of a physically connected wind turbine or turbines, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power from wind.

(5) (a) The department of environmental quality shall determine whether to certify that a transmission line meets the criteria of either subsection (1)(o), (1)(p), or (1)(q), as applicable, based on an application provided for in [section 5]. The department of environmental quality shall review the certification 10 years

after the line is operational, and if the property no longer meets the requirements of either subsection (1)(o), (1)(p), or (1)(q), the certification must be revoked.

(b) If the department of revenue finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

~~(4)~~(6) Class fourteen property is taxed at 3% of its market value.”

Section 12. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

Section 13. Codification instruction. (1) [Sections 2 through 6] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 2 through 6].

(2) [Sections 7 and 8] are intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [sections 7 and 8].

(3) [Section 9] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 9].

Section 14. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 15. Effective date. [This act] is effective on passage and approval.

Approved May 25, 2007

CHAPTER NO. 3

[HB 4]

AN ACT APPROPRIATING MONEY FOR CAPITAL PROJECTS AND INFORMATION TECHNOLOGY CAPITAL PROJECTS FOR THE BIENNIUM ENDING JUNE 30, 2009; PROVIDING FOR OTHER MATTERS RELATING TO THE APPROPRIATIONS; PROVIDING FOR A TRANSFER OF FUNDS FROM THE STATE GENERAL FUND TO THE LONG-RANGE BUILDING PROGRAM ACCOUNT; PROVIDING FOR A TRANSFER OF FUNDS FROM THE STATE GENERAL FUND TO THE FISH, WILDLIFE, AND PARKS CAPITAL PROJECTS ACCOUNT; PROVIDING FOR A TRANSFER OF FUNDS FROM THE STATE GENERAL FUND TO THE LONG-RANGE INFORMATION TECHNOLOGY PROGRAM ACCOUNT; PROVIDING FOR THE DEVELOPMENT AND ACQUISITION OF NEW INFORMATION TECHNOLOGY SYSTEMS FOR THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES, THE DEPARTMENT OF ADMINISTRATION, AND THE JUDICIAL BRANCH; PROVIDING FOR THE REAPPROPRIATION OF LONG-RANGE INFORMATION TECHNOLOGY CAPITAL PROJECT FUNDS; REQUIRING APPROVAL OF PROJECT AND SECURITY PLANS FOR CERTAIN PROJECTS; REVISING CAPITAL PROJECTS AUTHORIZED FOR THE BIENNIUM ENDING JUNE 30, 2007;

HOUSE BILL NO. 3

INTRODUCED BY L. JONES, J. LASLOVICH, J. WARD, R. ERICKSON

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [This act] may be cited as the "Jobs and Energy Development Incentives Act".

NEW SECTION. **Section 2. Policy.** It is the policy of the state of Montana that the tax classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be strictly limited to new investments that qualify under the standards established in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. The provisions of [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] do not apply to any previously existing properties or to any new investments or property that does not qualify under [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. It is also the policy of the state of Montana that the classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to encourage investment in energy development that is consistent with maintaining a clean and healthful environment and that may not otherwise occur without [sections 2 through 8]

and amendments made by [this act in 15-6-141 and 15-6-157]. [Sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are not to be interpreted as a precedent for reducing the taxation of any other property in the state or for affecting the use of any property valuation method for tax purposes established under law to meet the standards of the Montana constitution and law. The department of environmental quality and the department of revenue are directed to administer and interpret [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] strictly in accordance with this policy. Any ambiguities in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be resolved in favor of the strict reading of this policy.

NEW SECTION. **Section 3. Definitions.** As used in [sections 1 through 6], unless the context requires otherwise, the following definitions apply:

- (1) "Biodiesel" has the meaning provided in 15-70-301.
- (2) "Biodiesel production facility" means improvements and personal property used for the production and onsite storage of biodiesel.
- (3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally occurring methane gas formed underground in landfills.
- (4) "Biogas production facility" means improvements and personal property used for the production of biogas and the generation of electricity at the facility.
- (5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other organic waste materials.
- (6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and screening.
- (7) "Biomass gasification facility" means improvements and personal property used for the production of fuel or chemicals and the generation of electricity from biomass at the facility.
- (8) "Carbon sequestration" means the long-term storage of carbon dioxide from a plant or facility that produces or captures carbon dioxide, as defined in [section 7], in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds,

and closed-loop enhanced oil recovery operations.

(9) "Clean advanced coal research and development equipment" means equipment used primarily for research and development of emerging methods for pollution control, carbon capture, and carbon sequestration. The term includes equipment used for research and development of effective and efficient removal of various pollutants and the capture, storage, transportation, compression, and injection of carbon dioxide from coal combustion utility and industrial facilities and advanced coal conversion facilities.

(10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon monoxide, hydrogen, and other gases. The coal gasification process includes the reaction of coal feedstock, prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

(11) "Coal gasification facility" means improvements and personal property used for coal gasification that is used for the production of fuel or chemicals or the generation of electricity, or any combination of those things, at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

(12) "Coal-to-liquid facility" means improvements and personal property used for the production of synthetic liquid fuels from coal. The term includes a facility that uses the Fischer-Tropsch process, or other processes, to convert synthesis gas produced by coal gasification into liquid fuel.

(13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of, but not limited to, the following:

- (a) building supports or foundations;
- (b) laying of underground pipework; or
- (c) construction of storage structures.

(14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR, parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

(15) "Ethanol production facility" means improvements and personal property used for the production and onsite storage of ethanol, including cellulosic ethanol.

(16) "Geothermal facility" means improvements and personal property used for the production of electricity from geothermal sources.

(17) "Integrated gasification combined cycle facility" means improvements and personal property of an electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion turbine to generate electricity and captures the heat from the combustion to drive a steam turbine to produce

more electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

(18) "Renewable energy" includes the following:

- (a) solar energy;
- (b) wind energy;
- (c) geothermal energy;
- (d) energy from the conversion of biomass;
- (e) energy from biogas;
- (f) energy from fuel cells that do not require a petroleum-based fuel;
- (g) energy from waste heat; and
- (h) ethanol, including cellulosic ethanol.

(19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by a facility with its principal business being the manufacturing of material, component parts, systems, or similar equipment for use in facilities that convert renewable energy into forms of energy useful to people, including electricity. The term includes facilities for manufacturing of electric motor vehicles or hybrid electric motor vehicles.

(b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing facility with at least 50%, by value, of its annual production suitable for sale as renewable energy material, component parts, systems, or similar equipment.

(20) "Renewable energy research and development equipment" means equipment used primarily for research and development of the efficient use of renewable energy sources. The term includes equipment used for research and development of electric motor vehicles or hybrid electric motor vehicles.

NEW SECTION. Section 4. Energy production or development -- tax abatement -- eligibility. (1)

A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable energy research and development equipment may qualify for an abatement of property tax liability pursuant to [sections 2 through 6].

(2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be assessed at 50% of its taxable value for the qualifying period.

(b) If the abatement is granted for clean advanced coal research and development equipment or renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of

the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

(c) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement allowed under [sections 2 through 6]:

- (a) biodiesel production facilities;
- (b) biogas production facilities;
- (c) biomass gasification facilities;
- (d) coal gasification facilities that sequester carbon dioxide from the coal gasification process;
- (e) ethanol production facilities;
- (f) geothermal facilities;
- (g) renewable energy manufacturing facilities;
- (h) clean advanced coal research and development equipment and renewable energy research and development equipment;
- (i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through carbon credit offsets;
- (j) transmission lines and associated equipment and structures classified in 15-6-157; and
- (k) carbon sequestration equipment as defined in [section 7].

(4) (a) In order to qualify for the abatement under [sections 2 through 6], a facility listed in subsection (3) must meet the following requirements:

- (i) commencement of construction of the facility must occur after June 1, 2007; and
- (ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 2 through 6], clean advanced coal research and development equipment and renewable energy research and development equipment must be placed into service after June 30, 2007.

(c) To qualify under subsection (3)(d), the facility shall sequester at least the percentage of the carbon dioxide produced from the gasification process that is practically obtainable but may not be less than 65%.

(d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is applied for after December 31, 2014, do not qualify under subsection (3)(d).

(e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage

determined in [section 6].

(5) To qualify for an abatement, the facility or clean advanced coal research and development equipment and renewable energy research and development equipment must be certified as provided in [section 5].

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be assessed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first 10 years after the facility commences operation or the clean advanced coal research and development equipment or renewable energy research and development equipment is purchased. The total time of the qualifying period may not exceed 14 years.

NEW SECTION. Section 5. Certification. (1) (a) Upon application by a taxpayer, the department of environmental quality shall determine whether a facility or equipment qualifies for a tax abatement under [section 4] or rules adopted under [section 6]. If the department determines that a facility or equipment qualifies for abatement or a classification, it shall issue a certification of eligibility.

(b) An application for certification must be made on forms available from the department.

(c) Certification may not be granted unless the applicant is in substantial compliance with all applicable statutes, rules, orders, and permit conditions. Certification remains in effect only as long as substantial compliance with [sections 2 through 6] continues.

(2) The department of environmental quality shall identify and track compliance with [sections 2 through 6] in the use of certified property. The department may revoke a certification for failure to maintain substantial compliance with eligibility requirements in [section 4] or with rules adopted pursuant to [section 6]. Revocation of a certificate must be reported to the department of revenue within 30 days of revocation.

(3) If a taxpayer's certification is revoked, the taxpayer forfeits the abatement or classification under 15-6-157 or [section 7]. Upon revocation, the property must be assessed at 100% of its taxable value beginning on January 1 of the year or years for which the certification is revoked. Any remaining abatement must be forfeited. The taxpayer is immediately liable for any additional taxes, penalty, and interest resulting from the revocation.

(4) A taxpayer that has forfeited any portion of its abatement because of revocation may not reapply for an abatement under [sections 2 through 6].

(5) A taxpayer aggrieved by a determination made by the department of environmental quality or the

department of revenue has the right to the review procedures in 15-1-211 or to a hearing under Title 2, chapter 4, part 6.

NEW SECTION. Section 6. Rules. (1) The department of revenue shall adopt rules for the implementation of [sections 2 through 6], including the valuation of qualifying property and administration of property certified under [section 5] or classified under 15-6-157 or [section 7].

(2) The department of environmental quality shall adopt rules necessary for certification, compliance, and revocation of certificates, as provided in [section 5], and for classification as class fourteen property, as provided in 15-6-157, or class fifteen property, as provided in [section 7]. The rules may include specifying procedures, including timeframes for certification application, and definitions necessary to identify property for certification and compliance. The percentage of the carbon dioxide produced by a facility that is to be sequestered or offset must be based on technology that is practically obtainable as determined by the department.

NEW SECTION. Section 7. Class fifteen property -- description -- taxable percentage. (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality under [section 5] for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality under [section 5];

(c) carbon sequestration equipment;

(d) equipment used in closed-loop enhanced oil recovery operations; and

(e) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product carried by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or facility.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop enhanced oil recovery operation.

(b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide pipeline in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations,

depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to retain carbon dioxide in the sequestration location.

(d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for sequestration.

(e) "Closed-loop enhanced oil recovery operation" means all oil production equipment, as described in 15-6-138(1)(c), owned by an entity that owns or operates an operation that, after construction, installation, and testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon dioxide to increase the amount of crude oil that can be recovered from a well and retains as much of the injected carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic or unforeseen occurrences.

(f) "Liquid pipeline" means a pipeline that is dedicated to using 90% of its pipeline capacity for transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production facility, or ethanol production facility.

(g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation. This does not include wells from which the primary product is carbon dioxide.

(3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

(4) Class fifteen property is taxed at 3% of its market value.

NEW SECTION. Section 8. Exemption for land adjacent to transmission line right-of-way easement -- application -- limitations. (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a digitized certificate of survey prepared by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is

sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

(i) the boundaries of an incorporated or unincorporated city or town;

(ii) a platted and filed subdivision;

(iii) tracts of land used for residential, commercial, or industrial purposes; or

(iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007.

Section 9. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas companies having a major distribution system in this

state; and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156 ~~and wind generation facilities;~~

(ii) all property classified under 15-6-157;

(iii) all property classified under [section 7];

~~(ii)~~(iv) property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

~~(iii)~~(v) property owned by organizations providing telephone communications to rural areas and classified under 15-6-135;

~~(iv)~~(vi) railroad transportation property included in 15-6-145;

~~(v)~~(vii) airline transportation property included in 15-6-145; and

~~(vi)~~(viii) telecommunications property included in 15-6-156.

(2) Class nine property is taxed at 12% of market value."

Section 10. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

(a) wind generation facilities of a centrally assessed electric power company;

(b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79z-5a;

(c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;

(d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137;

(e) all property of a biodiesel production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(f) all property of a biogas production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(g) all property of a biomass gasification facility, as defined in [section 3];

(h) all property of a coal gasification facility, as defined in [section 3], except for property in subsection

(1)(k) of this section, that sequesters carbon dioxide;

(i) all property of an ethanol production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(j) all property of a geothermal facility, as defined in [section 3];

(k) all property of an integrated gasification combined cycle facility, as defined in [section 3], that sequesters carbon dioxide, as required by [section 4(4)(c)];

(l) all property or a portion of the property of a renewable energy manufacturing facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(m) all property of a natural gas combined cycle facility;

(n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion plants of the types that are generally in commercial use as of December 31, 2007, that commence construction after December 31, 2007;

(o) high-voltage direct-current transmission lines and associated equipment and structures, including converter stations and interconnections that:

(i) originate in Montana with a converter station located in Montana east of the continental divide that is constructed after July 1, 2007;

(ii) are certified under the Montana Major Facility Siting Act; and

(iii) provide access to energy markets for Montana electrical generation facilities listed in this section that commenced construction after June 1, 2007;

(p) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation that has commenced construction after June 1, 2007;

(q) the qualified portion of an alternating current transmission line and its associated equipment and structures, including interconnections, that has commenced construction after June 1, 2007.

(2) (a) The qualified portion of an alternating current transmission line in subsection (1)(q) is that percentage, as determined by the department of environmental quality, of rated transmission capacity of the line contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1) that are located in Montana.

(b) The department of revenue shall classify the total value of an alternating current transmission line

in accordance with the determination made by the department of environmental quality pursuant to subsection (2)(a).

(c) The owner of property described under this subsection (2) shall disclose the location of the generation facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not required to disclose financial terms and conditions of contracts beyond that needed for classification.

~~(2)(3)~~ Class fourteen property does not include ~~wind generation~~ facilities:

(a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase; or

(b) that are exempt under 15-6-225.

~~(3)(4)~~ For the purposes of this section, "wind generation facilities" means any combination of a physically connected wind turbine or turbines, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power from wind.

(5) (a) The department of environmental quality shall determine whether to certify that a transmission line meets the criteria of either subsection (1)(o), (1)(p), or (1)(q), as applicable, based on an application provided for in [section 5]. The department of environmental quality shall review the certification 10 years after the line is operational, and if the property no longer meets the requirements of either subsection (1)(o), (1)(p), or (1)(q), the certification must be revoked.

(b) If the department of revenue finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

~~(4)(6)~~ Class fourteen property is taxed at 3% of its market value."

NEW SECTION. Section 11. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

NEW SECTION. Section 12. Codification instruction. (1) [Sections 2 through 6] are intended to be

codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 2 through 6].

(2) [Section 7] is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [section 7].

(3) [Section 8] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 8].

NEW SECTION. **Section 13. Severability.** If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. **Section 14. Effective date.** [This act] is effective on passage and approval.

- END -

HOUSE BILL NO. 3

INTRODUCED BY L. JONES, J. LASLOVICH, J. WARD, R. ERICKSON

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [This act] may be cited as the "Jobs and Energy Development Incentives Act".

NEW SECTION. **Section 2. Policy.** It is the policy of the state of Montana that the tax classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be strictly limited to new investments that qualify under the standards established in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. The provisions of [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] do not apply to any previously existing properties or to any new investments or property that does not qualify under [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. It is also the policy of the state of Montana that the classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to encourage investment in energy development that is consistent with maintaining a clean and healthful environment and that may not otherwise occur without [sections 2 through 8]

and amendments made by [this act in 15-6-141 and 15-6-157]. [Sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are not to be interpreted as a precedent for reducing the taxation of any other property in the state or for affecting the use of any property valuation method for tax purposes established under law to meet the standards of the Montana constitution and law. The department of environmental quality and the department of revenue are directed to administer and interpret [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] strictly in accordance with this policy. Any ambiguities in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be resolved in favor of the strict reading of this policy.

NEW SECTION. **Section 3. Definitions.** As used in [sections 1 through 6], unless the context requires otherwise, the following definitions apply:

- (1) "Biodiesel" has the meaning provided in 15-70-301.
- (2) "Biodiesel production facility" means improvements and personal property used for the production and onsite storage of biodiesel.
- (3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally occurring methane gas formed underground in landfills.
- (4) "Biogas production facility" means improvements and personal property used for the production of biogas and the generation of electricity at the facility.
- (5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other organic waste materials.
- (6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and screening.
- (7) "Biomass gasification facility" means improvements and personal property used for the production of fuel or chemicals and the generation of electricity from biomass at the facility.
- (8) "Carbon sequestration" means the long-term storage of carbon dioxide from a plant or facility that produces or captures carbon dioxide, as defined in [section 7], in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds,

and closed-loop enhanced oil recovery operations.

(9) "Clean advanced coal research and development equipment" means equipment used primarily for research and development of emerging methods for pollution control, carbon capture, and carbon sequestration. The term includes equipment used for research and development of effective and efficient removal of various pollutants and the capture, storage, transportation, compression, and injection of carbon dioxide from coal combustion utility and industrial facilities and advanced coal conversion facilities.

(10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon monoxide, hydrogen, and other gases. The coal gasification process includes the reaction of coal feedstock, prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

(11) "Coal gasification facility" means improvements and personal property used for coal gasification that is used for the production of fuel or chemicals or the generation of electricity, or any combination of those things, at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

(12) "Coal-to-liquid facility" means improvements and personal property used for the production of synthetic liquid fuels from coal. The term includes a facility that uses the Fischer-Tropsch process, or other processes, to convert synthesis gas produced by coal gasification into liquid fuel.

(13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of, but not limited to, the following:

- (a) building supports or foundations;
- (b) laying of underground pipework; or
- (c) construction of storage structures.

(14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR, parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

(15) "Ethanol production facility" means improvements and personal property used for the production and onsite storage of ethanol, ~~including cellulosic ethanol~~ MADE FROM CELLULOSE OR OTHER NONFOODSTUFF MATERIALS.

(16) "Geothermal facility" means improvements and personal property used for the production of electricity from geothermal sources.

(17) "Integrated gasification combined cycle facility" means improvements and personal property of an electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion

turbine to generate electricity and captures the heat from the combustion to drive a steam turbine to produce more electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

(18) "Renewable energy" includes the following:

- (a) solar energy;
- (b) wind energy;
- (c) geothermal energy;
- (d) energy from the conversion of biomass;
- (e) energy from biogas;
- (f) energy from fuel cells that do not require a petroleum-based fuel;
- (g) energy from waste heat; and
- (h) ~~ethanol, including~~ cellulosic ethanol.

(19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by a facility with its principal business being the manufacturing of material, component parts, systems, or similar equipment for use in facilities that convert renewable energy into forms of energy useful to people, including electricity. The term includes facilities for manufacturing of electric motor vehicles or hybrid electric motor vehicles.

(b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing facility with at least 50%, by value, of its annual production suitable for sale as renewable energy material, component parts, systems, or similar equipment.

(20) "Renewable energy research and development equipment" means equipment used primarily for research and development of the efficient use of renewable energy sources. The term includes equipment used for research and development of electric motor vehicles or hybrid electric motor vehicles.

NEW SECTION. Section 4. Energy production or development -- tax abatement -- eligibility. (1)

A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable energy research and development equipment may qualify for an abatement of property tax liability pursuant to [sections 2 through 6].

(2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be assessed at 50% of its taxable value for the qualifying period.

(b) If the abatement is granted for clean advanced coal research and development equipment or

renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

(c) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement allowed under [sections 2 through 6]:

- (a) biodiesel production facilities;
- (b) biogas production facilities;
- (c) biomass gasification facilities;
- (d) coal gasification facilities that sequester carbon dioxide from the coal gasification process;
- (e) ethanol production facilities;
- (f) geothermal facilities;
- (g) renewable energy manufacturing facilities;
- (h) clean advanced coal research and development equipment and renewable energy research and development equipment;
- (i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through carbon credit offsets;
- (j) transmission lines and associated equipment and structures classified in 15-6-157; ~~and~~
- (k) carbon sequestration equipment as defined in [section 7]; AND
- (L) PIPELINES CLASSIFIED UNDER [SECTION 7].

(4) (a) In order to qualify for the abatement under [sections 2 through 6], a facility listed in subsection (3) must meet the following requirements:

- (i) commencement of construction of the facility must occur after June 1, 2007; and
- (ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 2 through 6], clean advanced coal research and development equipment and renewable energy research and development equipment must be placed into service after June 30, 2007.

(c) To qualify under subsection (3)(d), the facility shall sequester at least the percentage of the carbon dioxide produced from the gasification process that is practically obtainable but may not be less than 65%.

(d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is

applied for after December 31, 2014, do not qualify under subsection (3)(d).

(e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage determined in [section 6].

(5) To qualify for an abatement, the facility or clean advanced coal research and development equipment and renewable energy research and development equipment must be certified as provided in [section 5].

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be assessed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first 10 years after the facility commences operation or the clean advanced coal research and development equipment or renewable energy research and development equipment is purchased. The total time of the qualifying period may not exceed 14 years.

NEW SECTION. **Section 5. Certification.** (1) (a) Upon application by a taxpayer, the department of environmental quality shall determine whether a facility or equipment qualifies for a tax abatement under [section 4] or rules adopted under [section 6]. If the department determines that a facility or equipment qualifies for abatement or a classification, it shall issue a certification of eligibility.

(b) An application for certification must be made on forms available from the department.

(c) ~~Certification may not be granted unless the applicant is in substantial compliance with all applicable statutes, rules, orders, and permit conditions.~~ Certification remains in effect only as long as substantial compliance with [sections 2 through 6] continues.

(2) The department of environmental quality shall identify and track compliance with [sections 2 through 6] in the use of certified property. The department may revoke a certification for failure to maintain substantial compliance with eligibility requirements in [section 4] or with rules adopted pursuant to [section 6]. Revocation of a certificate must be reported to the department of revenue within 30 days of revocation.

(3) If a taxpayer's certification is revoked, the taxpayer forfeits the abatement or classification under 15-6-157 or [section 7]. Upon revocation, the property must be assessed at 100% of its taxable value beginning on January 1 of the year or years for which the certification is revoked. Any remaining abatement must be forfeited. The taxpayer is immediately liable for any additional taxes, penalty, and interest resulting from the revocation.

(4) A taxpayer that has forfeited any portion of its abatement because of revocation may not reapply

for an abatement under [sections 2 through 6].

(5) A taxpayer aggrieved by a determination made by the department of environmental quality or the department of revenue has the right to the review procedures in 15-1-211 or to a hearing under Title 2, chapter 4, part 6.

NEW SECTION. **Section 6. Rules.** (1) The department of revenue shall adopt rules for the implementation of [sections 2 through 6], including the valuation of qualifying property and administration of property certified under [section 5] or classified under 15-6-157 or [section 7].

(2) The department of environmental quality shall adopt rules necessary for certification, compliance, and revocation of certificates, as provided in [section 5], and for classification as class fourteen property, as provided in 15-6-157, or class fifteen property, as provided in [section 7]. The rules may include specifying procedures, including timeframes for certification application, and definitions necessary to identify property for certification and compliance. The percentage of the carbon dioxide produced by a facility that is to be sequestered or offset must be based on technology that is practically obtainable as determined by the department.

NEW SECTION. **Section 7. Class fifteen property -- description -- taxable percentage.** (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality under [section 5] for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality under [section 5];

(c) carbon sequestration equipment;

(d) equipment used in closed-loop enhanced oil recovery operations; and

(e) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product carried by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or facility.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop enhanced oil recovery operation.

(b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide pipeline in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to retain carbon dioxide in the sequestration location.

(d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for sequestration.

(e) "Closed-loop enhanced oil recovery operation" means all oil production equipment, as described in 15-6-138(1)(c), owned by an entity that owns or operates an operation that, after construction, installation, and testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon dioxide to increase the amount of crude oil that can be recovered from a well and retains as much of the injected carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic or unforeseen occurrences.

(f) "Liquid pipeline" means a pipeline that is dedicated to using 90% of its pipeline capacity for transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production facility, or ethanol production facility.

(g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation. This does not include wells from which the primary product is carbon dioxide.

(3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

(4) Class fifteen property is taxed at 3% of its market value.

NEW SECTION. Section 8. Exemption for land adjacent to transmission line right-of-way easement -- application -- limitations. (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a

digitized certificate of survey prepared by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

(i) the boundaries of an incorporated or unincorporated city or town;

(ii) a platted and filed subdivision;

(iii) tracts of land used for residential, commercial, or industrial purposes; or

(iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007.

Section 9. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a),

"property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156 ~~and wind generation facilities;~~

(ii) all property classified under 15-6-157;

(iii) all property classified under [section 7];

~~(iii)(iv)~~ property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

~~(iii)(v)~~ property owned by organizations providing telephone communications to rural areas and classified under 15-6-135;

~~(iv)(vi)~~ railroad transportation property included in 15-6-145;

~~(v)(vii)~~ airline transportation property included in 15-6-145; and

~~(vi)(viii)~~ telecommunications property included in 15-6-156.

(2) Class nine property is taxed at 12% of market value."

Section 10. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

(a) wind generation facilities of a centrally assessed electric power company;

(b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79z-5a;

(c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;

(d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137;

(e) all property of a biodiesel production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(f) all property of a biogas production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

- (g) all property of a biomass gasification facility, as defined in [section 3];
 - (h) all property of a coal gasification facility, as defined in [section 3], except for property in subsection (1)(k) of this section, that sequesters carbon dioxide;
 - (i) all property of an ethanol production facility, as defined in [section 3], that has commenced construction after June 1, 2007;
 - (j) all property of a geothermal facility, as defined in [section 3];
 - (k) all property of an integrated gasification combined cycle facility, as defined in [section 3], that sequesters carbon dioxide, as required by [section 4(4)(c)];
 - (l) all property or a portion of the property of a renewable energy manufacturing facility, as defined in [section 3], that has commenced construction after June 1, 2007;
 - (m) all property of a natural gas combined cycle facility;
 - (n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion plants of the types that are generally in commercial use as of December 31, 2007, that commence construction after December 31, 2007;
 - (o) high-voltage direct-current transmission lines and associated equipment and structures, including converter stations and interconnections that:
 - (i) originate in Montana with a converter station located in Montana east of the continental divide that is constructed after July 1, 2007;
 - (ii) are certified under the Montana Major Facility Siting Act; and
 - (iii) provide access to energy markets for Montana electrical generation facilities listed in this section that commenced construction after June 1, 2007;
 - (p) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation that has commenced construction after June 1, 2007;
 - (q) the qualified portion of an alternating current transmission line and its associated equipment and structures, including interconnections, that has commenced construction after June 1, 2007.
- (2) (a) The qualified portion of an alternating current transmission line in subsection (1)(q) is that percentage, as determined by the department of environmental quality, of rated transmission capacity of the line contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1)

that are located in Montana.

(b) The department of revenue shall classify the total value of an alternating current transmission line in accordance with the determination made by the department of environmental quality pursuant to subsection (2)(a).

(c) The owner of property described under this subsection (2) shall disclose the location of the generation facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not required to disclose financial terms and conditions of contracts beyond that needed for classification.

~~(2)(3)~~ Class fourteen property does not include ~~wind generation~~ facilities:

(a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase; or

(b) that are exempt under 15-6-225.

~~(3)(4)~~ For the purposes of this section, "wind generation facilities" means any combination of a physically connected wind turbine or turbines, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power from wind.

(5) (a) The department of environmental quality shall determine whether to certify that a transmission line meets the criteria of either subsection (1)(o), (1)(p), or (1)(q), as applicable, based on an application provided for in [section 5]. The department of environmental quality shall review the certification 10 years after the line is operational, and if the property no longer meets the requirements of either subsection (1)(o), (1)(p), or (1)(q), the certification must be revoked.

(b) If the department of revenue finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

~~(4)(6)~~ Class fourteen property is taxed at 3% of its market value."

NEW SECTION. Section 11. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

NEW SECTION. Section 12. Codification instruction. (1) [Sections 2 through 6] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 2 through 6].

(2) [Section 7] is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [section 7].

(3) [Section 8] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 8].

NEW SECTION. Section 13. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 14. Effective date. [This act] is effective on passage and approval.

- END -

HOUSE BILL NO. 3

INTRODUCED BY L. JONES, J. LASLOVICH, J. WARD, R. ERICKSON

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [This act] may be cited as the "Jobs and Energy Development Incentives Act".

NEW SECTION. **Section 2. Policy.** It is the policy of the state of Montana that the tax classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be strictly limited to new investments that qualify under the standards established in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. The provisions of [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] do not apply to any previously existing properties or to any new investments or property that does not qualify under [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. It is also the policy of the state of Montana that the classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to encourage investment in energy development that is consistent with maintaining a clean and healthful environment and that may not otherwise occur without [sections 2 through 8]

and amendments made by [this act in 15-6-141 and 15-6-157]. [Sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are not to be interpreted as a precedent for reducing the taxation of any other property in the state or for affecting the use of any property valuation method for tax purposes established under law to meet the standards of the Montana constitution and law. The department of environmental quality and the department of revenue are directed to administer and interpret [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] strictly in accordance with this policy. Any ambiguities in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be resolved in favor of the strict reading of this policy.

NEW SECTION. **Section 3. Definitions.** As used in [sections 1 through 6], unless the context requires otherwise, the following definitions apply:

- (1) "Biodiesel" has the meaning provided in 15-70-301.
- (2) "Biodiesel production facility" means improvements and personal property used for the production and onsite storage of biodiesel.
- (3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally occurring methane gas formed underground in landfills.
- (4) "Biogas production facility" means improvements and personal property used for the production of biogas and the generation of electricity at the facility.
- (5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other organic waste materials.
- (6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and screening.
- (7) "Biomass gasification facility" means improvements and personal property used for the production of fuel or chemicals and the generation of electricity from biomass at the facility.
- (8) "Carbon sequestration" means the long-term storage of carbon dioxide from a plant or facility that produces or captures carbon dioxide, as defined in [section 7], in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds,

and closed-loop enhanced oil recovery operations.

(9) "Clean advanced coal research and development equipment" means equipment used primarily for research and development of emerging methods for pollution control, carbon capture, and carbon sequestration. The term includes equipment used for research and development of effective and efficient removal of various pollutants and the capture, storage, transportation, compression, and injection of carbon dioxide from coal combustion utility and industrial facilities and advanced coal conversion facilities.

(10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon monoxide, hydrogen, and other gases. The coal gasification process includes the reaction of coal feedstock, prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

(11) "Coal gasification facility" means improvements and personal property used for coal gasification that is used for the production of fuel or chemicals or the generation of electricity, or any combination of those things, at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

(12) "Coal-to-liquid facility" means improvements and personal property used for the production of synthetic liquid fuels from coal. The term includes a facility that uses the Fischer-Tropsch process, or other processes, to convert synthesis gas produced by coal gasification into liquid fuel.

(13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of, but not limited to, the following:

- (a) building supports or foundations;
- (b) laying of underground pipework; or
- (c) construction of storage structures.

(14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR, parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

(15) "Ethanol production facility" means improvements and personal property used for the production and onsite storage of ethanol, ~~including cellulosic ethanol~~ MADE FROM CELLULOSE OR OTHER NONFOODSTUFF MATERIALS.

(16) "Geothermal facility" means improvements and personal property used for the production of electricity from geothermal sources.

(17) "Integrated gasification combined cycle facility" means improvements and personal property of an electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion

turbine to generate electricity and captures the heat from the combustion to drive a steam turbine to produce more electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

(18) "Renewable energy" includes the following:

- (a) solar energy;
- (b) wind energy;
- (c) geothermal energy;
- (d) energy from the conversion of biomass;
- (e) energy from biogas;
- (f) energy from fuel cells that do not require a petroleum-based fuel;
- (g) energy from waste heat; and
- (h) ~~ethanol, including~~ cellulosic ethanol.

(19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by a facility with its principal business being the manufacturing of material, component parts, systems, or similar equipment for use in facilities that convert renewable energy into forms of energy useful to people, including electricity. The term includes facilities for manufacturing of electric motor vehicles or hybrid electric motor vehicles.

(b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing facility with at least 50%, by value, of its annual production suitable for sale as renewable energy material, component parts, systems, or similar equipment.

(20) "Renewable energy research and development equipment" means equipment used primarily for research and development of the efficient use of renewable energy sources. The term includes equipment used for research and development of electric motor vehicles or hybrid electric motor vehicles.

NEW SECTION. Section 4. Energy production or development -- tax abatement -- eligibility. (1) A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable energy research and development equipment may qualify for an abatement of property tax liability pursuant to [sections 2 through 6].

(2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be assessed at 50% of its taxable value for the qualifying period.

(b) If the abatement is granted for clean advanced coal research and development equipment or

renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

(c) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement allowed under [sections 2 through 6]:

- (a) biodiesel production facilities;
- (b) biogas production facilities;
- (c) biomass gasification facilities;
- (d) coal gasification facilities that sequester carbon dioxide from the coal gasification process;
- (e) ethanol production facilities;
- (f) geothermal facilities;
- (g) renewable energy manufacturing facilities;
- (h) clean advanced coal research and development equipment and renewable energy research and development equipment;
- (i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through carbon credit offsets;
- (j) transmission lines and associated equipment and structures classified in 15-6-157; ~~and~~
- (k) CONVERTER STATIONS CLASSIFIED UNDER 15-6-157 THAT TRANSFER ELECTRICAL ENERGY BETWEEN TWO INTERCONNECTED GRIDS;
- ~~(k)(L)~~ carbon sequestration equipment as defined in [section 7]; AND
- ~~(L)(M)~~ PIPELINES CLASSIFIED UNDER [SECTION 7].

(4) (a) In order to qualify for the abatement under [sections 2 through 6], a facility listed in subsection (3) must meet the following requirements:

- (i) commencement of construction of the facility must occur after June 1, 2007; and
- (ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 2 through 6], clean advanced coal research and development equipment and renewable energy research and development equipment must be placed into service after June 30, 2007.

(c) To qualify under subsection (3)(d), the facility shall sequester at least the percentage of the carbon

dioxide produced from the gasification process that is practically obtainable but may not be less than 65%.

(d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is applied for after December 31, 2014, do not qualify under subsection (3)(d).

(e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage determined in [section 6].

(5) To qualify for an abatement, the facility or clean advanced coal research and development equipment and renewable energy research and development equipment must be certified as provided in [section 5].

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be assessed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first 10 years after the facility commences operation or the clean advanced coal research and development equipment or renewable energy research and development equipment is purchased. The total time of the qualifying period may not exceed 14 years.

NEW SECTION. **Section 5. Certification.** (1) (a) Upon application by a taxpayer, the department of environmental quality shall determine whether a facility or equipment qualifies for a tax abatement under [section 4] or rules adopted under [section 6]. If the department determines that a facility or equipment qualifies for abatement or a classification, it shall issue a certification of eligibility.

(b) An application for certification must be made on forms available from the department.

(c) ~~Certification may not be granted unless the applicant is in substantial compliance with all applicable statutes, rules, orders, and permit conditions.~~ Certification remains in effect only as long as substantial compliance with [sections 2 through 6] continues.

(2) The department of environmental quality shall identify and track compliance with [sections 2 through 6] in the use of certified property. The department may revoke a certification for failure to maintain substantial compliance with eligibility requirements in [section 4] or with rules adopted pursuant to [section 6]. Revocation of a certificate must be reported to the department of revenue within 30 days of revocation.

(3) If a taxpayer's certification is revoked, the taxpayer forfeits the abatement or classification under 15-6-157 or [section 7]. Upon revocation, the property must be assessed at 100% of its taxable value beginning on January 1 of the year or years for which the certification is revoked. Any remaining abatement must be forfeited. The taxpayer is immediately liable for any additional taxes, penalty, and interest resulting from the

revocation.

(4) A taxpayer that has forfeited any portion of its abatement because of revocation may not reapply for an abatement under [sections 2 through 6].

(5) A taxpayer aggrieved by a determination made by the department of environmental quality or the department of revenue has the right to the review procedures in 15-1-211 or to a hearing under Title 2, chapter 4, part 6.

NEW SECTION. Section 6. Rules. (1) The department of revenue shall adopt rules for the implementation of [sections 2 through 6], including the valuation of qualifying property and administration of property certified under [section 5] or classified under 15-6-157 or [section 7].

(2) The department of environmental quality shall adopt rules necessary for certification, compliance, and revocation of certificates, as provided in [section 5], and for classification as class fourteen property, as provided in 15-6-157, or class fifteen property, as provided in [section 7]. The rules may include specifying procedures, including timeframes for certification application, and definitions necessary to identify property for certification and compliance. The percentage of the carbon dioxide produced by a facility that is to be sequestered or offset must be based on technology that is practically obtainable as determined by the department.

NEW SECTION. Section 7. Class fifteen property -- description -- taxable percentage. (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality under [section 5] for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality under [section 5];

(c) carbon sequestration equipment;

(d) equipment used in closed-loop enhanced oil recovery operations; and

(e) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product carried by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or facility.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that

produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop enhanced oil recovery operation.

(b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide pipeline in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to retain carbon dioxide in the sequestration location.

(d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for sequestration.

(e) "Closed-loop enhanced oil recovery operation" means all oil production equipment, as described in 15-6-138(1)(c), owned by an entity that owns or operates an operation that, after construction, installation, and testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon dioxide to increase the amount of crude oil that can be recovered from a well and retains as much of the injected carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic or unforeseen occurrences.

(f) "Liquid pipeline" means a pipeline that is dedicated to using 90% of its pipeline capacity for transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production facility, or ethanol production facility.

(g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation. This does not include wells from which the primary product is carbon dioxide.

(3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

(4) Class fifteen property is taxed at 3% of its market value.

NEW SECTION. Section 8. Exemption for land adjacent to transmission line right-of-way easement -- application -- limitations. (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a digitized certificate of survey prepared by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

(i) the boundaries of an incorporated or unincorporated city or town;

(ii) a platted and filed subdivision;

(iii) tracts of land used for residential, commercial, or industrial purposes; or

(iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007.

Section 9. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality

with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156 ~~and wind generation facilities;~~

(ii) all property classified under 15-6-157;

(iii) all property classified under [section 7];

~~(iv)~~(iv) property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

~~(v)~~(v) property owned by organizations providing telephone communications to rural areas and classified under 15-6-135;

~~(vi)~~(vi) railroad transportation property included in 15-6-145;

~~(vii)~~(vii) airline transportation property included in 15-6-145; and

~~(viii)~~(viii) telecommunications property included in 15-6-156.

(2) Class nine property is taxed at 12% of market value."

Section 10. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

(a) wind generation facilities of a centrally assessed electric power company;

(b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79z-5a;

(c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;

(d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137;

(e) all property of a biodiesel production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(f) all property of a biogas production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(g) all property of a biomass gasification facility, as defined in [section 3];

(h) all property of a coal gasification facility, as defined in [section 3], except for property in subsection (1)(k) of this section, that sequesters carbon dioxide;

(i) all property of an ethanol production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(j) all property of a geothermal facility, as defined in [section 3];

(k) all property of an integrated gasification combined cycle facility, as defined in [section 3], that sequesters carbon dioxide, as required by [section 4(4)(c)];

(l) all property or a portion of the property of a renewable energy manufacturing facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(m) all property of a natural gas combined cycle facility;

(n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion plants of the types that are generally in commercial use as of December 31, 2007, that commence construction after December 31, 2007;

(o) high-voltage direct-current transmission lines and associated equipment and structures, including converter stations and interconnections that:

(i) originate in Montana with a converter station located in Montana east of the continental divide that is constructed after July 1, 2007;

(ii) are certified under the Montana Major Facility Siting Act; and

(iii) provide access to energy markets for Montana electrical generation facilities listed in this section that commenced construction after June 1, 2007;

(p) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation that has commenced construction after June 1, 2007;

(q) the qualified portion of an alternating current transmission line and its associated equipment and structures, including interconnections, that has commenced construction after June 1, 2007;

(R) CONVERTER STATIONS THAT TRANSFER ELECTRICAL ENERGY BETWEEN TWO INTERCONNECTED GRIDS THAT

ARE CONSTRUCTED AFTER JUNE 1, 2007.

(2) (a) The qualified portion of an alternating current transmission line in subsection (1)(q) is that percentage, as determined by the department of environmental quality, of rated transmission capacity of the line contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1) that are located in Montana.

(b) The department of revenue shall classify the total value of an alternating current transmission line in accordance with the determination made by the department of environmental quality pursuant to subsection (2)(a).

(c) The owner of property described under this subsection (2) shall disclose the location of the generation facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not required to disclose financial terms and conditions of contracts beyond that needed for classification.

~~(2)~~(3) Class fourteen property does not include wind-generation facilities:

(a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase; or

(b) that are exempt under 15-6-225.

~~(3)~~(4) For the purposes of this section, "wind generation facilities" means any combination of a physically connected wind turbine or turbines, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power from wind.

(5) (a) The department of environmental quality shall determine whether to certify that a transmission line meets the criteria of either subsection (1)(o), (1)(p), or (1)(q), as applicable, based on an application provided for in [section 5]. The department of environmental quality shall review the certification 10 years after the line is operational, and if the property no longer meets the requirements of either subsection (1)(o), (1)(p), or (1)(q), the certification must be revoked.

(b) If the department of revenue finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

~~(4)~~(6) Class fourteen property is taxed at 3% of its market value."

NEW SECTION. Section 11. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

NEW SECTION. Section 12. Codification instruction. (1) [Sections 2 through 6] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 2 through 6].

(2) [Section 7] is intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [section 7].

(3) [Section 8] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 8].

NEW SECTION. Section 13. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 14. Effective date. [This act] is effective on passage and approval.

- END -

HOUSE BILL NO. 3

INTRODUCED BY L. JONES, J. LASLOVICH, J. WARD, R. ERICKSON

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; CREATING A NEW CLASS OF PROPERTY FOR CERTAIN DIRECT-CURRENT CONVERTER STATION PROPERTY; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [This act] may be cited as the "Jobs and Energy Development Incentives Act".

NEW SECTION. **Section 2. Policy.** It is the policy of the state of Montana that the tax classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be strictly limited to new investments that qualify under the standards established in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. The provisions of [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] do not apply to any previously existing properties or to any new investments or property that does not qualify under [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. It is also the policy of the state of Montana that the classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to encourage investment in energy development that is consistent with

maintaining a clean and healthful environment and that may not otherwise occur without [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. [Sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are not to be interpreted as a precedent for reducing the taxation of any other property in the state or for affecting the use of any property valuation method for tax purposes established under law to meet the standards of the Montana constitution and law. The department of environmental quality and the department of revenue are directed to administer and interpret [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] strictly in accordance with this policy. Any ambiguities in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be resolved in favor of the strict reading of this policy.

NEW SECTION. Section 3. Definitions. As used in [sections 1 through 6], unless the context requires otherwise, the following definitions apply:

- (1) "Biodiesel" has the meaning provided in 15-70-301.
- (2) "Biodiesel production facility" means improvements and personal property used for the production and onsite storage of biodiesel.
- (3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally occurring methane gas formed underground in landfills.
- (4) "Biogas production facility" means improvements and personal property used for the production of biogas and the generation of electricity at the facility.
- (5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other organic waste materials.
- (6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and screening.
- (7) "Biomass gasification facility" means improvements and personal property used for the production of fuel or chemicals and the generation of electricity from biomass at the facility.
- (8) "Carbon sequestration" means the long-term storage of carbon dioxide from a plant or facility that produces or captures carbon dioxide, as defined in [section 7], in geologic formations, including but not limited

to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(9) "Clean advanced coal research and development equipment" means equipment used primarily for research and development of emerging methods for pollution control, carbon capture, and carbon sequestration. The term includes equipment used for research and development of effective and efficient removal of various pollutants and the capture, storage, transportation, compression, and injection of carbon dioxide from coal combustion utility and industrial facilities and advanced coal conversion facilities.

(10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon monoxide, hydrogen, and other gases. The coal gasification process includes the reaction of coal feedstock, prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

(11) "Coal gasification facility" means improvements and personal property used for coal gasification that is used for the production of fuel or chemicals or the generation of electricity, or any combination of those things, at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

(12) "Coal-to-liquid facility" means improvements and personal property used for the production of synthetic liquid fuels from coal. The term includes a facility that uses the Fischer-Tropsch process, or other processes, to convert synthesis gas produced by coal gasification into liquid fuel.

(13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of, but not limited to, the following:

- (a) building supports or foundations;
- (b) laying of underground pipework; or
- (c) construction of storage structures.

(14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR, parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

(15) "Ethanol production facility" means improvements and personal property used for the production and onsite storage of ethanol, ~~including cellulosic ethanol~~ MADE FROM CELLULOSE OR OTHER NONFOODSTUFF NONFOODSTUFF MATERIALS.

(16) "Geothermal facility" means improvements and personal property used for the production of electricity from geothermal sources.

(17) "Integrated gasification combined cycle facility" means improvements and personal property of an

electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion turbine to generate electricity and captures the heat from the combustion to drive a steam turbine to produce more electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

(18) "Renewable energy" includes the following:

- (a) solar energy;
- (b) wind energy;
- (c) geothermal energy;
- (d) energy from the conversion of biomass;
- (e) energy from biogas;
- (f) energy from fuel cells that do not require a petroleum-based fuel;
- (g) energy from waste heat; and
- (h) ~~ethanol, including~~ cellulosic ethanol.

(19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by a facility with its principal business being the manufacturing of material, component parts, systems, or similar equipment for use in facilities that convert renewable energy into forms of energy useful to people, including electricity. The term includes facilities for manufacturing of electric motor vehicles or hybrid electric motor vehicles.

(b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing facility with at least 50%, by value, of its annual production suitable for sale as renewable energy material, component parts, systems, or similar equipment.

(20) "Renewable energy research and development equipment" means equipment used primarily for research and development of the efficient use of renewable energy sources. The term includes equipment used for research and development of electric motor vehicles or hybrid electric motor vehicles.

NEW SECTION. Section 4. Energy production or development -- tax abatement -- eligibility. (1)

A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable energy research and development equipment may qualify for an abatement of property tax liability pursuant to [sections 2 through 6].

(2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be assessed at 50% of its taxable value for the qualifying period.

(b) If the abatement is granted for clean advanced coal research and development equipment or renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

(c) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement allowed under [sections 2 through 6]:

(a) biodiesel production facilities;

(b) biogas production facilities;

(c) biomass gasification facilities;

(d) coal gasification facilities ~~that sequester~~ FOR WHICH carbon dioxide from the coal gasification process IS SEQUESTERED;

(e) ethanol production facilities;

(f) geothermal facilities;

(g) renewable energy manufacturing facilities;

(h) clean advanced coal research and development equipment and renewable energy research and development equipment;

(i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through carbon credit offsets;

(j) transmission lines and associated equipment and structures classified in 15-6-157; ~~and~~

(K) CONVERTER STATIONS CLASSIFIED UNDER 15-6-157 THAT TRANSFER ELECTRICAL ENERGY BETWEEN TWO INTERCONNECTED GRIDS [SECTION 8];

~~(K)(L)~~ carbon sequestration equipment as defined in [section 7]; AND

~~(L)(M)~~ PIPELINES CLASSIFIED UNDER [SECTION 7].

(4) (a) In order to qualify for the abatement under [sections 2 through 6], a facility listed in subsection (3) must meet the following requirements:

(i) commencement of construction of the facility must occur after June 1, 2007; and

(ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 2 through 6], clean advanced coal research and development equipment and renewable energy research and development equipment must be placed into

service after June 30, 2007.

(c) ~~To~~ FOR THE FACILITY TO qualify under subsection (3)(d), ~~the facility shall sequester at least the percentage of the carbon dioxide produced from the gasification process~~ MUST BE SEQUESTERED AT A RATE that is practically obtainable but may not be less than 65%.

(d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is applied for after December 31, 2014, do not qualify under subsection (3)(d).

(e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage determined in [section 6].

(5) To qualify for an abatement, the facility or clean advanced coal research and development equipment and renewable energy research and development equipment must be certified as provided in [section 5].

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be assessed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first ~~40~~ 15 years after the facility commences operation or the clean advanced coal research and development equipment or renewable energy research and development equipment is purchased. The total time of the qualifying period may not exceed ~~44~~ 19 years.

NEW SECTION. Section 5. Certification. (1) (a) Upon application by a taxpayer, the department of environmental quality shall determine whether a facility or equipment qualifies for a tax abatement under [section 4] or rules adopted under [section 6]. If the department determines that a facility or equipment qualifies for abatement or a classification, it shall issue a certification of eligibility.

(b) An application for certification must be made on forms available from the department.

(c) ~~Certification may not be granted unless the applicant is in substantial compliance with all applicable statutes, rules, orders, and permit conditions.~~ Certification remains in effect only as long as substantial compliance with [sections 2 through 6] continues.

(2) The department of environmental quality shall identify and track compliance with [sections 2 through 6] in the use of certified property. The department may revoke a certification for failure to maintain substantial compliance with eligibility requirements in [section 4] or with rules adopted pursuant to [section 6]. Revocation of a certificate must be reported to the department of revenue within 30 days of revocation.

(3) If a taxpayer's certification is revoked, the taxpayer forfeits the abatement or classification under

15-6-157 or [section 7]. Upon revocation, the property must be assessed at 100% of its taxable value beginning on January 1 of the year or years for which the certification is revoked. Any remaining abatement must be forfeited. The taxpayer is immediately liable for any additional taxes, penalty, and interest resulting from the revocation.

(4) A taxpayer that has forfeited any portion of its abatement because of revocation may not reapply for an abatement under [sections 2 through 6].

(5) A taxpayer aggrieved by a determination made by the department of environmental quality or the department of revenue has the right to the review procedures in 15-1-211 or to a hearing under Title 2, chapter 4, part 6.

NEW SECTION. **Section 6. Rules.** (1) The department of revenue shall adopt rules for the implementation of [sections 2 through 6], including the valuation of qualifying property and administration of property certified under [section 5] or classified under 15-6-157 or [section 7].

(2) The department of environmental quality shall adopt rules necessary for certification, compliance, and revocation of certificates, as provided in [section 5], and for classification as class fourteen property, as provided in 15-6-157, or class fifteen property, as provided in [section 7]. The rules may include specifying procedures, including timeframes for certification application, and definitions necessary to identify property for certification and compliance. The percentage of the carbon dioxide produced by a facility that is to be sequestered or offset must be based on technology that is practically obtainable as determined by the department.

NEW SECTION. **Section 7. Class fifteen property -- description -- taxable percentage.** (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality under [section 5] for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality under [section 5];

(c) carbon sequestration equipment;

(d) equipment used in closed-loop enhanced oil recovery operations; and

(e) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product carried

by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or facility.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop enhanced oil recovery operation.

(b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide pipeline in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to retain carbon dioxide in the sequestration location.

(d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for sequestration.

(e) "Closed-loop enhanced oil recovery operation" means all oil production equipment, as described in 15-6-138(1)(c), owned by an entity that owns or operates an operation that, after construction, installation, and testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon dioxide to increase the amount of crude oil that can be recovered from a well and retains as much of the injected carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic or unforeseen occurrences.

(f) "Liquid pipeline" means a pipeline that is dedicated to using 90% of its pipeline capacity for transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production facility, or ethanol production facility.

(g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation. This does not include wells from which the primary product is carbon dioxide.

(3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

(4) Class fifteen property is taxed at 3% of its market value.

NEW SECTION. SECTION 8. CLASS SIXTEEN PROPERTY -- DESCRIPTION -- TAXABLE PERCENTAGE. (1) CLASS

SIXTEEN PROPERTY INCLUDES HIGH-VOLTAGE DIRECT-CURRENT CONVERTER STATIONS THAT ARE CONSTRUCTED IN A LOCATION AND MANNER SO THAT THE CONVERTER STATION CAN DIRECT POWER TO TWO DIFFERENT REGIONAL POWER GRIDS.

(2) CLASS SIXTEEN PROPERTY DOES NOT INCLUDE PROPERTY DESCRIBED IN SUBSECTION (1) FOR WHICH THE STANDARD PREVAILING RATE OF WAGES FOR HEAVY CONSTRUCTION, AS PROVIDED IN 18-2-401(13)(A), WAS NOT PAID DURING THE CONSTRUCTION PHASE.

(3) (A) THE DEPARTMENT SHALL DETERMINE WHETHER TO CERTIFY THAT THE PROPERTY MEETS THE CRITERIA OF SUBSECTION (1).

(B) IF THE DEPARTMENT FINDS THAT A CERTIFICATION PREVIOUSLY GRANTED WAS BASED ON AN APPLICATION THAT THE APPLICANT KNEW WAS FALSE OR FRAUDULENT, THE PROPERTY MUST BE PLACED IN CLASS NINE UNDER 15-6-141. IF THE APPLICATION WAS FRAUDULENT, THE APPLICANT MAY BE LIABLE FOR ADDITIONAL TAXES, PENALTY, AND INTEREST FROM THE TIME THAT THE CERTIFICATION WAS IN EFFECT.

(4) CLASS SIXTEEN PROPERTY IS TAXED AT 2.25% OF ITS MARKET VALUE.

NEW SECTION. **Section 9. Exemption for land adjacent to transmission line right-of-way easement -- application -- limitations.** (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a digitized certificate of survey prepared by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

- (i) the boundaries of an incorporated or unincorporated city or town;
- (ii) a platted and filed subdivision;
- (iii) tracts of land used for residential, commercial, or industrial purposes; or
- (iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007.

Section 10. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156 ~~and wind generation facilities;~~

(ii) all property classified under 15-6-157;

(iii) all property classified under [section 7] [SECTIONS 7 AND 8];

~~(iv)~~ (iv) property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

~~(v)~~ (v) property owned by organizations providing telephone communications to rural areas and classified under 15-6-135;

- ~~(iv)~~(vi) railroad transportation property included in 15-6-145;
 - ~~(v)~~(vii) airline transportation property included in 15-6-145; and
 - ~~(vi)~~(viii) telecommunications property included in 15-6-156.
- (2) Class nine property is taxed at 12% of market value."

Section 11. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

- (a) wind generation facilities of a centrally assessed electric power company;
- (b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79z-5a;
- (c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;
- (d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137₁;
- (e) all property of a biodiesel production facility, as defined in [section 3], that has commenced construction after June 1, 2007;
- (f) all property of a biogas production facility, as defined in [section 3], that has commenced construction after June 1, 2007;
- (g) all property of a biomass gasification facility, as defined in [section 3];
- (h) all property of a coal gasification facility, as defined in [section 3], except for property in subsection (1)(k) of this section, that sequesters carbon dioxide;
- (i) all property of an ethanol production facility, as defined in [section 3], that has commenced construction after June 1, 2007;
- (j) all property of a geothermal facility, as defined in [section 3];
- (k) all property of an integrated gasification combined cycle facility, as defined in [section 3], that sequesters carbon dioxide, as required by [section 4(4)(c)];
- (l) all property or a portion of the property of a renewable energy manufacturing facility, as defined in [section 3], that has commenced construction after June 1, 2007;
- (m) all property of a natural gas combined cycle facility;

(n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion plants of the types that are generally in commercial use as of December 31, 2007, that commence construction after December 31, 2007;

(o) high-voltage direct-current transmission lines and associated equipment and structures, including converter stations and interconnections, OTHER THAN PROPERTY CLASSIFIED UNDER [SECTION 8], that:

(i) originate in Montana with a converter station located in Montana east of the continental divide that is constructed after July 1, 2007;

(ii) are certified under the Montana Major Facility Siting Act; and

(iii) provide access to energy markets for Montana electrical generation facilities listed in this section that commenced construction after June 1, 2007;

(p) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation that has commenced construction after June 1, 2007;

(q) the qualified portion of an alternating current transmission line and its associated equipment and structures, including interconnections, that has commenced construction after June 1, 2007;

~~———(R) CONVERTER STATIONS THAT TRANSFER ELECTRICAL ENERGY BETWEEN TWO INTERCONNECTED GRIDS THAT ARE CONSTRUCTED AFTER JUNE 1, 2007.~~

(2) (a) The qualified portion of an alternating current transmission line in subsection (1)(q) is that percentage, as determined by the department of environmental quality, of rated transmission capacity of the line contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1) that are located in Montana.

(b) The department of revenue shall classify the total value of an alternating current transmission line in accordance with the determination made by the department of environmental quality pursuant to subsection (2)(a).

(c) The owner of property described under this subsection (2) shall disclose the location of the generation facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not required to disclose financial terms and conditions of contracts beyond that needed for classification.

~~(2)~~(3) Class fourteen property does not include wind-generation facilities:

(a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase; or

(b) that are exempt under 15-6-225.

~~(3)~~(4) For the purposes of this section, "wind generation facilities" means any combination of a physically connected wind turbine or turbines, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power from wind.

(5) (a) The department of environmental quality shall determine whether to certify that a transmission line meets the criteria of either subsection (1)(o), (1)(p), or (1)(q), as applicable, based on an application provided for in [section 5]. The department of environmental quality shall review the certification 10 years after the line is operational, and if the property no longer meets the requirements of either subsection (1)(o), (1)(p), or (1)(q), the certification must be revoked.

(b) If the department of revenue finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

~~(4)~~(6) Class fourteen property is taxed at 3% of its market value."

NEW SECTION. Section 12. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

NEW SECTION. Section 13. Codification instruction. (1) [Sections 2 through 6] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 2 through 6].

(2) ~~[Section 7]~~ is [SECTIONS 7 AND 8] ARE intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to ~~[section 7]~~ [SECTIONS 7 AND 8].

(3) ~~[Section 8]~~ 9 is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to ~~[section 8]~~ 9.

NEW SECTION. Section 14. Severability. If a part of [this act] is invalid, all valid parts that are

severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. **Section 15. Effective date.** [This act] is effective on passage and approval.

- END -



AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; CREATING A NEW CLASS OF PROPERTY FOR CERTAIN DIRECT-CURRENT CONVERTER STATION PROPERTY; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Short title. [This act] may be cited as the "Jobs and Energy Development Incentives Act".

Section 2. Policy. It is the policy of the state of Montana that the tax classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be strictly limited to new investments that qualify under the standards established in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. The provisions of [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] do not apply to any previously existing properties or to any new investments or property that does not qualify under [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. It is also the policy of the state of Montana that the classifications, rates, abatements, and exemptions in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to encourage investment in energy development that is consistent with maintaining a clean and healthful environment and that may not otherwise occur without [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157]. [Sections 2 through 8] and amendments made by [this act in 15-6-141

and 15-6-157] are not to be interpreted as a precedent for reducing the taxation of any other property in the state or for affecting the use of any property valuation method for tax purposes established under law to meet the standards of the Montana constitution and law. The department of environmental quality and the department of revenue are directed to administer and interpret [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] strictly in accordance with this policy. Any ambiguities in [sections 2 through 8] and amendments made by [this act in 15-6-141 and 15-6-157] are to be resolved in favor of the strict reading of this policy.

Section 3. Definitions. As used in [sections 1 through 6], unless the context requires otherwise, the following definitions apply:

- (1) "Biodiesel" has the meaning provided in 15-70-301.
- (2) "Biodiesel production facility" means improvements and personal property used for the production and onsite storage of biodiesel.
- (3) "Biogas" means methane gas produced through controlled biochemical processes in which bacteria digest animal, municipal, or other organic wastes in an oxygen-free environment. The term includes naturally occurring methane gas formed underground in landfills.
- (4) "Biogas production facility" means improvements and personal property used for the production of biogas and the generation of electricity at the facility.
- (5) "Biomass" means any renewable organic matter, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other organic waste materials.
- (6) "Biomass gasification" means a technology that uses a thermochemical process to convert biomass into a low-Btu or medium-Btu gas for the purpose of producing electricity, methane gas, transportation fuels, or chemicals. The technology includes the pretreatment of biomass feedstock involving drying, pulverizing, and screening.
- (7) "Biomass gasification facility" means improvements and personal property used for the production of fuel or chemicals and the generation of electricity from biomass at the facility.
- (8) "Carbon sequestration" means the long-term storage of carbon dioxide from a plant or facility that produces or captures carbon dioxide, as defined in [section 7], in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds,

and closed-loop enhanced oil recovery operations.

(9) "Clean advanced coal research and development equipment" means equipment used primarily for research and development of emerging methods for pollution control, carbon capture, and carbon sequestration. The term includes equipment used for research and development of effective and efficient removal of various pollutants and the capture, storage, transportation, compression, and injection of carbon dioxide from coal combustion utility and industrial facilities and advanced coal conversion facilities.

(10) "Coal gasification" means a process that converts coal into a synthesis gas composed of carbon monoxide, hydrogen, and other gases. The coal gasification process includes the reaction of coal feedstock, prepared in either a dry or slurried form, with steam and oxygen at high temperature and pressure in a reducing atmosphere. The synthesis gas is then used to produce electricity, liquid fuels, methane gas, or chemicals.

(11) "Coal gasification facility" means improvements and personal property used for coal gasification that is used for the production of fuel or chemicals or the generation of electricity, or any combination of those things, at the facility. The term includes a coal-to-liquid facility or an integrated gasification combined cycle facility.

(12) "Coal-to-liquid facility" means improvements and personal property used for the production of synthetic liquid fuels from coal. The term includes a facility that uses the Fischer-Tropsch process, or other processes, to convert synthesis gas produced by coal gasification into liquid fuel.

(13) "Commencement of construction" means initiation of onsite fabrication, erection, or installation of, but not limited to, the following:

- (a) building supports or foundations;
- (b) laying of underground pipework; or
- (c) construction of storage structures.

(14) "Ethanol" means nominally anhydrous ethyl alcohol that has been denatured as specified in 27 CFR, parts 20 and 21, and that meets the standards for ethanol adopted pursuant to 82-15-103.

(15) "Ethanol production facility" means improvements and personal property used for the production and onsite storage of ethanol made from cellulose or other nonfoodstuff materials.

(16) "Geothermal facility" means improvements and personal property used for the production of electricity from geothermal sources.

(17) "Integrated gasification combined cycle facility" means improvements and personal property of an electrical generation facility that uses a coal gasification process and routes synthesis gas to a combustion

turbine to generate electricity and captures the heat from the combustion to drive a steam turbine to produce more electricity. The facility may also use incidental amounts of natural gas or other fuels in the combustion turbine.

(18) "Renewable energy" includes the following:

- (a) solar energy;
- (b) wind energy;
- (c) geothermal energy;
- (d) energy from the conversion of biomass;
- (e) energy from biogas;
- (f) energy from fuel cells that do not require a petroleum-based fuel;
- (g) energy from waste heat; and
- (h) cellulosic ethanol.

(19) (a) "Renewable energy manufacturing facility" means improvements and personal property used by a facility with its principal business being the manufacturing of material, component parts, systems, or similar equipment for use in facilities that convert renewable energy into forms of energy useful to people, including electricity. The term includes facilities for manufacturing of electric motor vehicles or hybrid electric motor vehicles.

(b) For purposes of subsection (19)(a), "principal business" means a renewable energy manufacturing facility with at least 50%, by value, of its annual production suitable for sale as renewable energy material, component parts, systems, or similar equipment.

(20) "Renewable energy research and development equipment" means equipment used primarily for research and development of the efficient use of renewable energy sources. The term includes equipment used for research and development of electric motor vehicles or hybrid electric motor vehicles.

Section 4. Energy production or development -- tax abatement -- eligibility. (1) A facility listed in subsection (3), clean advanced coal research and development equipment, and renewable energy research and development equipment may qualify for an abatement of property tax liability pursuant to [sections 2 through 6].

(2) (a) If the abatement is granted for a facility listed in subsection (3), the qualifying facility must be assessed at 50% of its taxable value for the qualifying period.

(b) If the abatement is granted for clean advanced coal research and development equipment or renewable energy research and development equipment, the qualifying equipment, up to the first \$1 million of the value of equipment at a facility, must be assessed at 50% of its taxable value for the qualifying period. There is no abatement for any portion of the value of equipment at a facility in excess of \$1 million.

(c) The abatement applies to all mills levied against the qualifying facility or equipment.

(3) Subject to subsections (4) and (5), the following facilities or property may qualify for the abatement allowed under [sections 2 through 6]:

- (a) biodiesel production facilities;
- (b) biogas production facilities;
- (c) biomass gasification facilities;
- (d) coal gasification facilities for which carbon dioxide from the coal gasification process is sequestered;
- (e) ethanol production facilities;
- (f) geothermal facilities;
- (g) renewable energy manufacturing facilities;
- (h) clean advanced coal research and development equipment and renewable energy research and development equipment;
- (i) a natural gas combined cycle facility that offsets a portion of the carbon dioxide produced through carbon credit offsets;
- (j) transmission lines and associated equipment and structures classified in 15-6-157;
- (k) converter stations classified under [section 8];
- (l) carbon sequestration equipment as defined in [section 7]; and
- (m) pipelines classified under [section 7].

(4) (a) In order to qualify for the abatement under [sections 2 through 6], a facility listed in subsection (3) must meet the following requirements:

- (i) commencement of construction of the facility must occur after June 1, 2007; and
- (ii) the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), must be paid during the construction phase of the facility.

(b) In order to qualify for the abatement under [sections 2 through 6], clean advanced coal research and development equipment and renewable energy research and development equipment must be placed into service after June 30, 2007.

(c) For the facility to qualify under subsection (3)(d), the carbon dioxide produced from the gasification process must be sequestered at a rate that is practically obtainable but may not be less than 65%.

(d) Integrated gasification combined cycle facilities for which a permit under Title 75, chapter 2, is applied for after December 31, 2014, do not qualify under subsection (3)(d).

(e) To qualify under subsection (3)(i), the facility shall offset carbon dioxide emissions by the percentage determined in [section 6].

(5) To qualify for an abatement, the facility or clean advanced coal research and development equipment and renewable energy research and development equipment must be certified as provided in [section 5].

(6) Upon termination of the qualifying period, the abatement ceases and the property for which the abatement had been granted must be assessed at 100% of its taxable value.

(7) For the purposes of this section, "qualifying period" means the construction period and the first 15 years after the facility commences operation or the clean advanced coal research and development equipment or renewable energy research and development equipment is purchased. The total time of the qualifying period may not exceed 19 years.

Section 5. Certification. (1) (a) Upon application by a taxpayer, the department of environmental quality shall determine whether a facility or equipment qualifies for a tax abatement under [section 4] or rules adopted under [section 6]. If the department determines that a facility or equipment qualifies for abatement or a classification, it shall issue a certification of eligibility.

(b) An application for certification must be made on forms available from the department.

(c) Certification remains in effect only as long as substantial compliance with [sections 2 through 6] continues.

(2) The department of environmental quality shall identify and track compliance with [sections 2 through 6] in the use of certified property. The department may revoke a certification for failure to maintain substantial compliance with eligibility requirements in [section 4] or with rules adopted pursuant to [section 6]. Revocation of a certificate must be reported to the department of revenue within 30 days of revocation.

(3) If a taxpayer's certification is revoked, the taxpayer forfeits the abatement or classification under 15-6-157 or [section 7]. Upon revocation, the property must be assessed at 100% of its taxable value beginning on January 1 of the year or years for which the certification is revoked. Any remaining abatement must be

forfeited. The taxpayer is immediately liable for any additional taxes, penalty, and interest resulting from the revocation.

(4) A taxpayer that has forfeited any portion of its abatement because of revocation may not reapply for an abatement under [sections 2 through 6].

(5) A taxpayer aggrieved by a determination made by the department of environmental quality or the department of revenue has the right to the review procedures in 15-1-211 or to a hearing under Title 2, chapter 4, part 6.

Section 6. Rules. (1) The department of revenue shall adopt rules for the implementation of [sections 2 through 6], including the valuation of qualifying property and administration of property certified under [section 5] or classified under 15-6-157 or [section 7].

(2) The department of environmental quality shall adopt rules necessary for certification, compliance, and revocation of certificates, as provided in [section 5], and for classification as class fourteen property, as provided in 15-6-157, or class fifteen property, as provided in [section 7]. The rules may include specifying procedures, including timeframes for certification application, and definitions necessary to identify property for certification and compliance. The percentage of the carbon dioxide produced by a facility that is to be sequestered or offset must be based on technology that is practically obtainable as determined by the department.

Section 7. Class fifteen property -- description -- taxable percentage. (1) Class fifteen property includes:

(a) carbon dioxide pipelines certified by the department of environmental quality under [section 5] for the transportation of carbon dioxide for the purposes of sequestration or for use in closed-loop enhanced oil recovery operations;

(b) qualified liquid pipelines certified by the department of environmental quality under [section 5];

(c) carbon sequestration equipment;

(d) equipment used in closed-loop enhanced oil recovery operations; and

(e) all property of pipelines, including pumping and compression equipment, carrying products other than carbon dioxide, that originate at facilities specified in 15-6-157(1), with at least 90% of the product carried by the pipeline originating at facilities specified in 15-6-157(1) and terminating at an existing pipeline or facility.

(2) For the purposes of this section, the following definitions apply:

(a) "Carbon dioxide pipeline" means a pipeline that transports carbon dioxide from a plant or facility that produces or captures carbon dioxide to a carbon sequestration point, including a closed-loop enhanced oil recovery operation.

(b) "Carbon sequestration" means the long-term storage of carbon dioxide from a carbon dioxide pipeline in geologic formations, including but not limited to deep saline formations, basalt or oil shale formations, depleted oil and gas reservoirs, unmineable coal beds, and closed-loop enhanced oil recovery operations.

(c) "Carbon sequestration equipment" means the equipment used for carbon sequestration, including equipment used to inject carbon dioxide at the carbon sequestration point and equipment used to retain carbon dioxide in the sequestration location.

(d) "Carbon sequestration point" means the location where the carbon dioxide is to be confined for sequestration.

(e) "Closed-loop enhanced oil recovery operation" means all oil production equipment, as described in 15-6-138(1)(c), owned by an entity that owns or operates an operation that, after construction, installation, and testing has been completed and the full enhanced oil recovery process has been commenced, injects carbon dioxide to increase the amount of crude oil that can be recovered from a well and retains as much of the injected carbon dioxide as practicable, but not less than 85% of the carbon dioxide injected each year absent catastrophic or unforeseen occurrences.

(f) "Liquid pipeline" means a pipeline that is dedicated to using 90% of its pipeline capacity for transporting fuel or methane gas from a coal gasification facility, biodiesel production facility, biogas production facility, or ethanol production facility.

(g) "Plant or facility that produces or captures carbon dioxide" means a facility that produces a flow of carbon dioxide that can be sequestered or used in a closed-loop enhanced oil recovery operation. This does not include wells from which the primary product is carbon dioxide.

(3) Class fifteen property does not include a carbon dioxide pipeline, liquid pipeline, or closed-loop enhanced oil recovery operation for which, during construction, the standard prevailing wages for heavy construction, as provided in 18-2-401(13)(a), were not paid during the construction phase.

(4) Class fifteen property is taxed at 3% of its market value.

Section 8. Class sixteen property -- description -- taxable percentage. (1) Class sixteen property

includes high-voltage direct-current converter stations that are constructed in a location and manner so that the converter station can direct power to two different regional power grids.

(2) Class sixteen property does not include property described in subsection (1) for which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase.

(3) (a) The department shall determine whether to certify that the property meets the criteria of subsection (1).

(b) If the department finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

(4) Class sixteen property is taxed at 2.25% of its market value.

Section 9. Exemption for land adjacent to transmission line right-of-way easement -- application -- limitations. (1) Subject to the conditions of this section, for tax years beginning after December 31, 2007, there is allowed an exemption from property taxes for land that is within 660 feet on either side of the midpoint of a transmission line right-of-way or easement.

(2) (a) An owner or operator of a transmission line shall apply to the department for an exemption under this section on a form provided by the department. The application must include a legal description and a digitized certificate of survey prepared by a surveyor registered with the board of professional engineers and professional land surveyors provided for in 2-15-1763 of the property in the county for which the exemption is sought and other information required by the department. A separate application must be made for each county in which an exemption is sought.

(b) An application for an exemption that would be in effect for the tax year and subsequent tax years must be filed with the department by March 1 in the tax year that the exemption is sought.

(3) (a) The owner or operator of a transmission line shall inform the department of any change in ownership of the land or other circumstances that may affect the eligibility of the land for the exemption. The department shall determine whether any changes have occurred that affect the eligibility of the land for the exemption.

(b) The exemption allowed under this section does not apply to:

- (i) the boundaries of an incorporated or unincorporated city or town;
- (ii) a platted and filed subdivision;
- (iii) tracts of land used for residential, commercial, or industrial purposes; or
- (iv) the 1 acre of land beneath improvements on land described in 15-6-133(1)(c) and 15-7-206(2).

(4) For the purposes of this section, "transmission line" means an electric line with a design capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007.

Section 10. Section 15-6-141, MCA, is amended to read:

"15-6-141. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) centrally assessed allocations of an electric power company or centrally assessed allocations of an electric power company that owns or operates transmission or distribution facilities or both, including, if congress passes legislation that allows the state to tax property owned by an agency created by congress to transmit or distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation facilities classified under 15-6-157, used for the sole purpose of serving customers representing less than 95% of the electric consumers located within the incorporated limits of a city or town of more than 3,500 persons in which a centrally assessed electric power company also owns property or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included. For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters, office, shop, or other similar facility.

(b) allocations for centrally assessed natural gas companies having a major distribution system in this state; and

(c) centrally assessed companies' allocations except:

(i) electrical generation facilities classified under 15-6-156 ~~and wind generation facilities;~~

(ii) all property classified under 15-6-157;

(iii) all property classified under [sections 7 and 8];

~~(ii)(iv)~~ (iv) property owned by cooperative rural electric and cooperative rural telephone associations and classified under 15-6-135;

~~(iii)(v)~~ (v) property owned by organizations providing telephone communications to rural areas and classified

under 15-6-135;

~~(iv)~~(vi) railroad transportation property included in 15-6-145;

~~(v)~~(vii) airline transportation property included in 15-6-145; and

~~(vi)~~(viii) telecommunications property included in 15-6-156.

(2) Class nine property is taxed at 12% of market value."

Section 11. Section 15-6-157, MCA, is amended to read:

"15-6-157. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

(a) wind generation facilities of a centrally assessed electric power company;

(b) wind generation facilities owned or operated by an exempt wholesale generator or an entity certified as an exempt wholesale generator pursuant to section 32 of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79z-5a;

(c) noncentrally assessed wind generation facilities owned or operated by any electrical energy producer;

(d) wind generation facilities owned or operated by cooperative rural electric associations described under 15-6-137;

(e) all property of a biodiesel production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(f) all property of a biogas production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(g) all property of a biomass gasification facility, as defined in [section 3];

(h) all property of a coal gasification facility, as defined in [section 3], except for property in subsection (1)(k) of this section, that sequesters carbon dioxide;

(i) all property of an ethanol production facility, as defined in [section 3], that has commenced construction after June 1, 2007;

(j) all property of a geothermal facility, as defined in [section 3];

(k) all property of an integrated gasification combined cycle facility, as defined in [section 3], that sequesters carbon dioxide, as required by [section 4(4)(c)];

(l) all property or a portion of the property of a renewable energy manufacturing facility, as defined in

[section 3], that has commenced construction after June 1, 2007;

(m) all property of a natural gas combined cycle facility;

(n) equipment that is used to capture and to prepare for transport carbon dioxide that will be sequestered or injected for the purpose of enhancing the recovery of oil and gas, other than that equipment at coal combustion plants of the types that are generally in commercial use as of December 31, 2007, that commence construction after December 31, 2007;

(o) high-voltage direct-current transmission lines and associated equipment and structures, including converter stations and interconnections, other than property classified under [section 8], that:

(i) originate in Montana with a converter station located in Montana east of the continental divide that is constructed after July 1, 2007;

(ii) are certified under the Montana Major Facility Siting Act; and

(iii) provide access to energy markets for Montana electrical generation facilities listed in this section that commenced construction after June 1, 2007;

(p) all property of electric transmission lines, including substations, that originate at facilities specified in this subsection (1), with at least 90% of electricity carried by the line originating at facilities specified in this subsection (1) and terminating at an existing transmission line or substation that has commenced construction after June 1, 2007;

(q) the qualified portion of an alternating current transmission line and its associated equipment and structures, including interconnections, that has commenced construction after June 1, 2007.

(2) (a) The qualified portion of an alternating current transmission line in subsection (1)(q) is that percentage, as determined by the department of environmental quality, of rated transmission capacity of the line contracted for on a firm basis by buyers or sellers of electricity generated by facilities specified in subsection (1) that are located in Montana.

(b) The department of revenue shall classify the total value of an alternating current transmission line in accordance with the determination made by the department of environmental quality pursuant to subsection (2)(a).

(c) The owner of property described under this subsection (2) shall disclose the location of the generation facilities specified in subsection (1) and information sufficient to demonstrate that there is a firm contract for transmission capacity available throughout the year. For purposes of the initial qualification, the owner is not required to disclose financial terms and conditions of contracts beyond that needed for

classification.

~~(2)~~(3) Class fourteen property does not include ~~wind-generation~~ facilities:

(a) at which the standard prevailing rate of wages for heavy construction, as provided in 18-2-401(13)(a), was not paid during the construction phase; or

(b) that are exempt under 15-6-225.

~~(3)~~(4) For the purposes of this section, "wind generation facilities" means any combination of a physically connected wind turbine or turbines, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce electric power from wind.

(5) (a) The department of environmental quality shall determine whether to certify that a transmission line meets the criteria of either subsection (1)(o), (1)(p), or (1)(q), as applicable, based on an application provided for in [section 5]. The department of environmental quality shall review the certification 10 years after the line is operational, and if the property no longer meets the requirements of either subsection (1)(o), (1)(p), or (1)(q), the certification must be revoked.

(b) If the department of revenue finds that a certification previously granted was based on an application that the applicant knew was false or fraudulent, the property must be placed in class nine under 15-6-141. If the application was fraudulent, the applicant may be liable for additional taxes, penalty, and interest from the time that the certification was in effect.

~~(4)~~(6) Class fourteen property is taxed at 3% of its market value."

Section 12. Notification to tribal governments. The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

Section 13. Codification instruction. (1) [Sections 2 through 6] are intended to be codified as an integral part of Title 15, and the provisions of Title 15 apply to [sections 2 through 6].

(2) [Sections 7 and 8] are intended to be codified as an integral part of Title 15, chapter 6, part 1, and the provisions of Title 15, chapter 6, part 1, apply to [sections 7 and 8].

(3) [Section 9] is intended to be codified as an integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 9].

Section 14. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 15. Effective date. [This act] is effective on passage and approval.

- END -

I hereby certify that the within bill,
HB 0003, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2021.

President of the Senate

Signed this _____ day
of _____, 2021.

HOUSE BILL NO. 3

INTRODUCED BY L. JONES, J. LASLOVICH, J. WARD, R. ERICKSON

AN ACT PROVIDING PROPERTY TAX INCENTIVES FOR NEW INVESTMENT IN THE CONVERSION, TRANSPORT, MANUFACTURING RELATED TO, AND RESEARCH AND DEVELOPMENT OF RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; PROVIDING PROPERTY TAX ABATEMENTS FOR CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, AND CLEAN COAL ENERGY-RELATED PROPERTY; ALLOWING A PROPERTY TAX EXEMPTION, UNDER CERTAIN CONDITIONS, FOR LAND ADJACENT TO TRANSMISSION LINES; CREATING A NEW CLASS OF PROPERTY TAXES FOR CERTAIN PIPELINES AND CARBON DIOXIDE EQUIPMENT AND FACILITIES; CREATING A NEW CLASS OF PROPERTY FOR CERTAIN DIRECT-CURRENT CONVERTER STATION PROPERTY; REVISING CLASS FOURTEEN PROPERTY TO INCLUDE TAXATION OF CERTAIN RENEWABLE ENERGY, NEW TECHNOLOGY ENERGY, CLEAN COAL ENERGY FACILITIES, CARBON CAPTURE EQUIPMENT, AND TRANSMISSION LINES; AMENDING SECTIONS 15-6-141 AND 15-6-157, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Special Session Fiscal Note 2009 Biennium

Bill #	HB0003	Title:	Tax Incentives for Energy Development
Primary Sponsor:	Llew Jones	Status:	As Amended on Second Reading, First House

- | | | |
|--|---|--|
| ☒ Significant Local Gov Impact | ☒ Needs to be included in HB 2 | ☐ Technical Concerns |
| ☐ Included in the Executive Budget | ☒ Significant Long-Term Impacts | ☐ Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$2,500	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$72,000	(\$460,169)	(\$460,169)
State Special Revenue	\$0	\$4,600	(\$28,852)	(\$28,852)
Net Impact-General Fund Balance	<u>(\$2,500)</u>	<u>\$72,000</u>	<u>(\$460,169)</u>	<u>(\$460,169)</u>

Description of fiscal impact:

This bill creates a new property class, taxed at 3%, for certain types of energy-related property, provides for a temporary abatement of property taxes on certain types of energy-related property, and provides a property tax exemption for land adjacent to new electricity transmission lines. The net effect of these provisions will be to reduce state revenue by about \$0.5 million in FY 2010 and FY 2011.

FISCAL ANALYSIS

Assumptions:

This bill is intended to provide incentives for investments in certain types of property. If successful, these incentives will result in additional property being constructed and taxes being collected on property that would not exist without the incentives. Tax incentives may also result in lower taxes being paid on existing property or on new property that would have been constructed without the incentives. To avoid speculation about the effects of incentives on investment decisions, the fiscal analysis section of this fiscal note examines

the effects of this bill only on property that is in the development process or can reasonably be interpreted as being included in the HJR 2 property tax revenue estimates. Potential impacts of additional property that might be constructed in response to incentives are discussed in the long-range impacts section.

Property Tax Abatement for Certain New Energy Development Property

1. Sections one through six of this bill would provide for abatement of 50% of the property taxes on property for which construction commences after June 1, 2007 and that is placed in service after June 30, 2007 for the purposes of carbon dioxide sequestration; renewable energy production, transmission, and transportation; coal liquefaction and gasification; clean coal research and development; and renewable energy research and development. The amended bill also includes converter stations that transfer electrical energy between two interconnected grids that are constructed after June 1, 2007. In order to qualify for the abatement, prevailing heavy construction wage rates must be paid. The tax abatement is for ten years after the facility commences operation and up to a four year construction period. In the case of research and development facilities, the abatement begins when the research and development equipment is purchased. In the case of research and development facilities, the abatement begins when the research and development equipment is purchased, but may not exceed 14 years.
2. The Department of Environmental Quality (DEQ) is charged with certifying that the property qualifies for the abatement. The DEQ and the Department of Revenue (DOR) are granted rulemaking authority to administer the provisions of this act.
3. Section seven of this bill creates a new class of property, class 15 with a taxable rate of 3%. All the property in this act is placed in class 15, except for the property that is placed in (existing) class 14, which also has a taxable rate of 3%.
4. Section nine of this bill amends 15-6-141, MCA, (class 9 property) to make the language of this statute consistent with the changes to 15-6-157, MCA, (class 14 property).
5. Section ten of this bill amends 15-6-157, MCA, (class 14 property). Under current law class 14 property consists of wind generation property. This bill adds the following types of facilities to class 14: biodiesel production, biogas production, biomass gasification, coal gasification, ethanol production, geothermal, integrated gasification combined cycle, renewable energy manufacturing, natural gas combined cycle, high voltage direct current transmission lines, converter stations that transfer electrical energy between two interconnected grids, electric transmission lines used at least 90% for the transmission of electricity generated at facilities included in this act.
6. Information from the DEQ indicates that investment in new biodiesel and ethanol facilities that would be covered by this act will be \$0.1 million in 2008, \$367.9 million in 2009, and \$368.1 million in 2010. The HJR2 property tax assumptions imply growth of almost \$2 billion per year of market value in the combination of classes 4 and 8. These projects therefore can reasonably be assumed to be included in the HJR 2 property tax projections. The second row shows the taxable value of these facilities under current law, assuming that 90% of the value is equipment in class 8 and 10% is real estate in class 4. The next three rows show expected state and local property taxes under current law. The next four rows show taxable value with all property of these facilities in class 14 with a 50% abatement and the resulting state and local property taxes. The last three rows show the differences in state and local property taxes due to Sections 1 through 6.
7. Information from the DEQ indicates that investment in new biodiesel and ethanol facilities that would be covered by this act will be \$0.1 million in calendar year 2008, \$367.9 million in calendar year 2009, and \$368.1 million in calendar year 2010. The HJR 2 property tax assumptions imply growth of almost \$2 billion per year of market value in the combination of class 4 and class 8. These projects are assumed to be included in the HJR 2 property tax projections. The second row shows the taxable value of these facilities under current law, assuming that 90% of the value is equipment in class 8 and 10% of the value is real estate in class 4. The next three rows show expected state and local property taxes under current law. The next four rows show taxable value with all property of these facilities in class 14 with a 50%

abatement and the resulting state and local property taxes. The last three rows show the differences in state and local property taxes due to sections 1 through 6.

Expected Facilities Changed From Class 8 and 4 to Class 14 and Given Abatement			
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Market Value (\$ million)	0.100	367.900	368.010
Taxable Value 90% Class 8 & 10% Class 4	0.003	11.041	11.044
Tax (\$ million) on			
State 95 mills (general fund)	0.000	1.049	1.049
State 6 mills (university system)	0.000	0.066	0.066
Local 364 mills (statewide rural average)	0.001	4.019	4.020
Taxable Value 100% Class 14	0.003	11.037	11.040
Tax (\$ million) with 50% abatement on			
State 95 mills (general fund)	0.000	0.524	0.524
State 6 mills (university system)	0.000	0.033	0.033
Local 364 mills (statewide rural average)	0.001	2.009	2.009
Difference in Tax (\$ million)			
State 95 mills (general fund)	0.000	-0.525	-0.525
State 6 mills (university system)	0.000	-0.033	-0.033
Local 364 mills (statewide rural average)	-0.001	-2.010	-2.011

8. One electric transmission line that would be classified as class 14 property is expected to be built in calendar year 2008. The market value of this line is expected to be approximately \$50.674 million (Draft Environmental Impact Statement for the Montana-Alberta Tie Ltd. 230-kV Transmission Line.) The HJR 2 property tax assumptions imply \$66.1 million in additional market value in class 9 for calendar year 2008. Therefore, this project could reasonably be interpreted as being included in the HJR 2 projections. However, the developers of this project have stated that it will not be built in Montana if the line is taxed at the class 9 tax rate of 12%. Assuming that this is true, this bill would result in an increase in taxable value in class 14 of \$0.760 million ($3\% \times 50\% \times \50.674 million) beginning in calendar year 2008 and no change in class 9. Beginning in FY 2009, this would result in increased revenue of \$72,000 per year ($0.095 \times \0.760 million) to the general fund, \$4,600 per year ($0.006 \times \0.760 million) to the university system, and \$277,000 to local governments and school districts ($0.364 \times \$0.760$ million).
9. The number of DC interties (converter stations between two interconnected grids) that might be constructed during the fiscal period covered by this fiscal note is unknown. No fiscal impact is estimated.

Tax Exemption for Land under Newly Constructed Electric Transmission Lines

10. Section eight of this bill provides for a property tax exemption for class 3 Agricultural Land and class 10 timberland within 660 feet of the center of the right-of-way of an electric transmission line of a capacity of 30 megavoltamperes or greater that is constructed after January 1, 2007. The proposed Montana-Alberta Tie transmission line is scheduled to be built in calendar year 2008. The DOR estimates that the effect of the exemption from property tax of the land adjacent to the right-of-way would be a decrease of general fund revenues of \$7,169 in FY 2010 and FY 2011. The university state special revenue would be reduced by \$452 in FY 2010 and FY 2011. Local government and school revenues would decrease by \$31,870 in FY 2010 and FY 2011.

11. The following table combines the state and local revenue impacts from the tax abatement, exemption of land under transmission lines, and taxation of the Montana-Alberta Tie Line.

Summary of Revenue Impacts

	FY20008	FY20009	FY20010	FY20011
<u>General Fund Revenue</u>				
Tax Abatements			(\$525,000)	(\$525,000)
Exempt Land under Transmission Lines			(\$7,169)	(\$7,169)
<u>New Tax Revenues from Montana-Alberta Tie</u>	<u>\$72,000</u>	<u>\$72,000</u>	<u>\$72,000</u>	<u>\$72,000</u>
	\$72,000		(\$460,169)	(\$460,169)
<u>University SSR Fund Revenue</u>				
Tax Abatements			(\$33,000)	(\$33,000)
Exempt Land under Transmission Lines			(\$452)	(\$452)
<u>New Tax Revenues from Montana-Alberta Tie</u>	<u>\$4,600</u>	<u>\$4,600</u>	<u>\$4,600</u>	<u>\$4,600</u>
	\$4,600		(\$28,852)	(\$28,852)
<u>Local Government Revenue</u>				
Tax Abatements		(\$1,000)	(\$2,010,000)	(\$2,011,000)
Exempt Land under Transmission Lines			(\$31,870)	(\$31,870)
<u>New Tax Revenues from Montana-Alberta Tie</u>	<u>\$277,000</u>	<u>\$277,000</u>	<u>\$277,000</u>	<u>\$277,000</u>
	\$276,000		(\$1,764,870)	(\$1,765,870)

Administrative Expenses**Department of Revenue (DOR)**

12. The DOR will incur a one-time general funded operating cost of \$2,500 in FY 2008 for creation of new forms to administer this bill. This cost can be absorbed within existing appropriations.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$2,500	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$2,500			
<u>Revenues:</u>				
General Fund	\$0	\$72,000	(\$460,169)	(\$460,169)
State Special Revenue - University	\$0	\$4,600	(\$28,852)	(\$28,852)
TOTAL Revenues	\$0	\$76,600	(\$489,021)	(\$489,021)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$2,500	\$72,000	(\$460,169)	(\$460,169)
State Special Revenue (02)	\$0	\$4,600	(\$28,852)	(\$28,852)

Effect on County or Other Local Revenues or Expenditures:

- As shown in the table in assumption 14, county and other local government revenues will *increase* by about \$0.26 million in FY 2009 and *decrease* by about \$1.75 million per year.

Long-Range Impacts:

- Some energy projects whose property taxes are affected by this bill are almost certain to be built in Montana in the future. Electricity transmission projects with combined cost of about \$1 billion are being considered for calendar year 2011. Various coal conversion projects with costs between \$600 million and \$1 billion each are being considered. How this bill affects taxes on a particular project depends on whether it would be built without the incentives in this bill. If the project would be built without the incentives, this bill would reduce revenues below what they would have been without it. If the project would not be built without the incentives, this bill would increase revenues beyond what they would have been.
- The following tables show the property taxes on a \$1 billion electricity transmission project and a \$1 billion coal conversion project under current law and under this bill.

Taxes from Hypothetical \$1 Billion Transmission Project (\$ million)					
	<u>Tax Rate</u>	<u>Taxable Value</u>	<u>State 95 mills</u>	<u>State 6 mills</u>	<u>Local 364 mills</u>
Current Law - Class 9	12%	\$120.00	\$11.40	\$0.72	\$43.68
Class 15 & 50% Abatement	3%	\$30.00	\$1.43	\$0.09	\$5.46
Taxes From Hypothetical \$1 Billion Coal Conversion Project (\$ million)					
	<u>Tax Rate</u>	<u>Taxable Value</u>	<u>State 95 mills</u>	<u>State 6 mills</u>	<u>Local 364 mills</u>
Current Law	3%	\$30.00	\$2.85	\$0.18	\$10.92
50% Abatement	3%	\$30.00	\$1.43	\$0.09	\$5.46

3. The following table shows the impacts of this bill on state and local property taxes if these projects *would not* be built without the incentives in this bill.

Revenue Impact if Projects Would Not Be Built Without Incentives (\$ million)			
	State 95 <u>mills</u>	State 6 <u>mills</u>	Local 364 <u>mills</u>
Transmission Project - Class 15 & Abatement	\$1.43	\$0.09	\$5.46
Coal Conversion Project - 50% Abatement	\$1.43	\$0.09	\$5.46

4. This table shows the impacts of this bill on state and local property taxes if these projects *would* be built without the incentives in this bill.

Revenue Impact if Projects Would Be Built Without Incentives (\$ million)			
	State 95 <u>mills</u>	State 6 <u>mills</u>	Local 364 <u>mills</u>
Transmission Project - Class 15 & Abatement	(\$9.98)	(\$0.63)	(\$38.22)
Coal Conversion Project - 50% Abatement	(\$1.43)	(\$0.09)	(\$5.46)

5. This bill would exempt timberland within 660 feet of any new transmission line. The amount of land exempted and the resulting revenue loss to the state and local taxing jurisdictions will grow over time as new transmission lines are built.

Sponsor's Initials

Date

Budget Director's Initials

Date